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What we can learn from New Zealand Exporters? The establishment of international B2B distribution channels for high value products

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What we can learn from New Zealand Exporters?

The establishment of international B2B distribution channels for high value products

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Date: from 03/05/2021 to 20/08/2021

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**Master 2
Applied Corporate Management
2020 - 2021**



Preface:

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Executive Summary

This paper aims to research, understand, and provide a simple guide to companies about the establishment of international B2B distribution channels for high value products. This topic was chosen as a relevant topic of interest after having worked in the European-based, sales and marketing team at Manta5. Manta5 is a young company based in New Zealand who sells the world's first hydrofoiling, electric bicycle and has recently started distribution internationally. My internship included the administration of sales, European PR and digital marketing activity support, direct sales support & EU event support.

This research undertook three main steps, including; a comprehensive study of available literature in the form of journal papers, articles, and other studies; interviews with experts; a survey of a larger group of experts. Using these three research methods, four main subjects were studied; *challenges for exporters, finding distributors, distribution strategies, solutions for exporters*. These four subjects were comprehensively studied to reveal the themes that were held in common between the three various research methods as a form of data validation. This was undertaken with simple Venn diagrams, which were then amalgamated into a final summary of all the subjects into a single document, called the 'cheat sheet'. This cheat sheet provides all companies that fit the description of this topic with a concise, simple, and practical guide to the establishment of international B2B distribution channels for high value products.

This study did have some limitations to the resources and time available, but the results and implications suggest that future research on topic, considering the recommendations made, will reveal more concrete guides for companies. As the information learned in this study may also be valuable and interesting to other companies and countries in the world, it was named, "What can we learn from New Zealand exporters?"

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1. Introduction

1.1. Internship Background

1.1.1. Host Organization – Manta5

Manta5 started off as a dream of Guy Howard-Willis – Manta5’s founder. One day he was riding his bicycle alongside the water and dreamed of being able to combine his love for cycling and passion for water sports. This dream stayed with Guy, and after years of research and development (R&D) in secret, he launched his company; Manta5. (TEDx Talks, 2018)

Guy and his son were the founders of the successful New Zealand based company, Torpedo7, an online sporting goods store. (Wikipedia, 2021) Guy approached an inventive employee who had a passion for bicycles about the idea and they worked on the project in secret for six years, funded by Guy himself. Once they had a working concept, investors were gathered, and the company was launched – hiring a CEO, engineers, marketing and sales staff.

As of July 2021, Manta5 has a total staff of approximately 35 and has been manufacturing their XE-1 Hydrofoiler for two years. The XE-1 is best described as an electric bicycle that flies over the water on hydrofoils, with similar assistance and features of standard electric bicycles, but using large wings that provide lift when pedalling through the water. Therefore, the XE-1 is capable riding silently above the water with a top speed of up to 22kph and a ride time of up to 4 hours. (Manta5, 2021)



Figure 1: Manta5’s XE-1 Hydrofoiler (Manta5, 2021).

Manta 5 is headquartered in Hamilton, New Zealand, but manufactures all products in Asia. Manta5 is therefore only made up of three main departments; operations, product development and sales & marketing. The operations department is responsible for the day-to-day operations of the administration, accounting, and finance of the company. However,

they are also responsible for managing the production, procurement, quality control, and logistics. The product development department is responsible for all the mechanical engineering, electrical engineering, product design, industrial design, and production design of the XE-1. The sales & marketing department is responsible for all marketing, sales, distribution support and customer support.

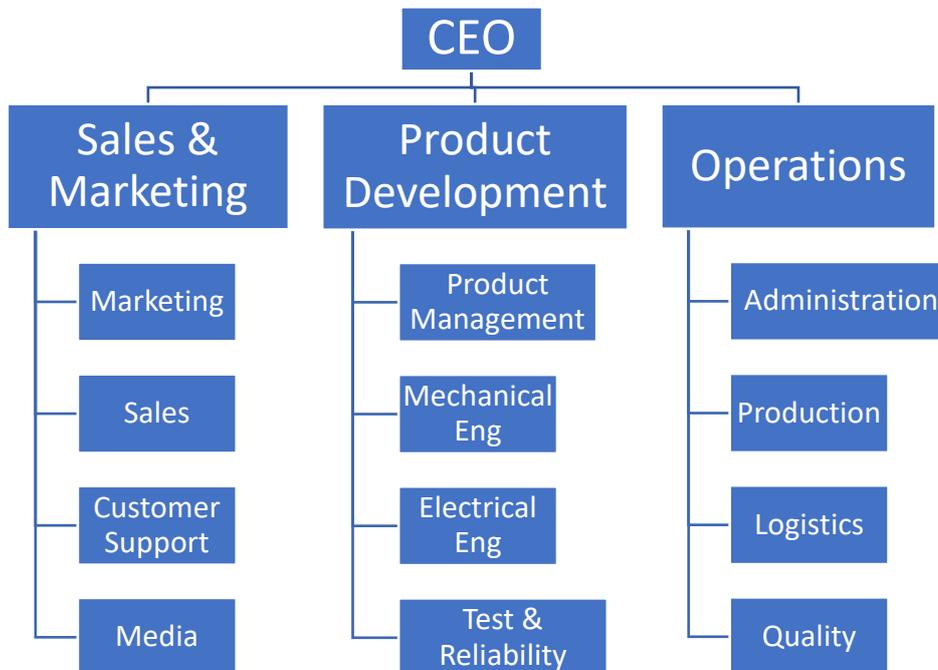


Figure 2: The organisational structure of Manta5 as of 2021.

1.1.2. Tasks Performed

Due to the young nature of the company, every role within the company is extremely varied and anyone in the company can be expected to undertake tasks that are not necessarily listed in their job description. This offered a great opportunity for me (especially being based in the much smaller European team) as I was able to undertake tasks that a young intern normally wouldn't get the opportunity to. However, for simplicity I will briefly discuss the majority of my tasks I undertook that fell within the main objectives listed in 1.1.2.

Administration of Sales in CRM:

Manta5 uses a software called Hubspot for all their Client Relationship Management (CRM). For the application of sales, this includes several responsibilities. The first task is to qualify our new Business-to-Business (B2B) sales leads that come through our system. This involves

looking into the legitimacy of the inquiry, including the company, industry, number of employees, country and initial message explaining their vision for the XE-1 within their market. If the required information is not sufficient enough for me to hand the lead over to one of our Business Development Managers (BDMs), I send them an email asking them specific questions that will hopefully lead towards a healthy discussion about distribution of our product. Once the lead has passed the qualification requirements to be one of our distributors, I create a deal in the CRM and hand them over to a BDM, who follows up on the deal and aims to close the sale.

The second main task of the Sales Administration role is to ensure that all the current deals in the CRM are up to date. The reports generated from these deals are used by management to project sales numbers, and therefore revenue within the company. Hence, it is very important that the information within the deals, especially the estimated date of closure, is reported as accurately as possible. It is the role of the Sales Administrator to check up with all the BDMs and ensure that these deals are being updated often so that the most accurate reporting is being undertaken.

EU PR & Digital Marketing Activity Support

There are three main activities which I performed within this broad task. The first was capturing content for our digital marketing on our social platforms, which included myself filming content and taking photos at events. This content was sent through to our Multimedia Specialist in New Zealand who created videos to be used on sites such as LinkedIn and Youtube. The second activity was creating digital marketing advertisements with third party companies. I approached web-based cycling media companies, had meetings to discuss marketing solutions, created marketing banners for their industry-based newsletters and analysed the results. The third activity was conducting research into potential customers in target regions and adding them to emailing lists. One of our BDMs was visiting California, so before their trip I identified many different companies that might have an interest in our product, sent a specific email out to those companies and connected them with the BDM to maximise the return on investment of their trip.

Direct Sales Support

I had the opportunity to get some face-to-face experience with customers alongside our BDMs. In this direct sales support, I was involved in preparing the demonstration, demonstrating the product, coaching the customers, and answering any queries that they had afterwards. With the product having a reasonable level of complexity and almost every demonstration location being unique, it often takes a lot of preparation and human resources to ensure a successful demonstration with a client. An ideal launch location needs to be identified, the bike needs to be assembled correctly and transported to the location. This is often done much better with two staff members so that one person can act as the lead, coaching and talking business while the secondary can take care of the assembly, disassembly, and preparation of the demonstration. After the demonstration is complete and the bike is dis-assembled, there is often a lunch or dinner with the client, in which business is often discussed and we attempt to close a deal while the ride experience memory is still fresh. During these discussions I was able to take a secondary role with backup, technical knowledge from my engineering undergraduate degree as well as subtle agreements and counter arguments during negotiations.

EU Event Support

During my internship, we attended the Super Yacht Cup event in Palma as well as organised several other events that would take place after my internship. These events are a large part of the Manta5 marketing and sales strategy in Europe as it allows increased exposure of the product and company, as well as giving customers a chance to see the product for themselves. These events require a lot of organising and management before, during and afterwards. Although I did not take a lead role in the organisation of these events, I did contribute with the preparation, logistics and transportation of the hydrofoilers. At Palma, I assisted in delivering the materials required, helped set up the stand, ordered and printed the required marketing collateral, discussed with customers at the event and transported everything back to France afterwards.

1.2. Thesis Background

1.2.1. Objectives of Thesis

In choosing topics for this thesis subject, there were several aspects that I had an interest in. Manta5 is a unique company with respect to their revolutionary product as well as the professionalism they have for a company of their age. However, they are very similar to many other small companies in New Zealand in three other key ways:

- Heavily focussed on international export
- Deal with high value products
- Sell mainly B2B

New Zealand is a place where labour is expensive, but has world-class engineering and manufacturing capabilities (Manufacturing in New Zealand, 2021). Moreover, with New Zealand being located very far from the major key markets of the world, the end cost of the product is further increased due to high shipping costs. The prominent way for small companies to be profitable in New Zealand is to find a niche market, produce the highest quality product, and therefore sell a high value product (Sim, Bull, & Mok, 2021). In the nature of niche high value products, there is a requirement for a very specific target market and more effort required to make the sale. Therefore, many of these companies choose to sell B2B so that the marketing and sales of the products are tailored to the specific market and sales support is already established within the region (Going Global).

These same concerns can be faced by other countries to varied degrees. Countries such as Australia, Japan and South Africa can face difficulties with selling high value items far from their target markets (e.g. Europe and North America). Also, countries such as Norway, Switzerland and Finland can face difficulties with selling high value items with small local markets relative to large key international markets.

I am passionate about small and medium-sized enterprises (SMEs) who sell high value products internationally. As an engineer, I have normally been focussed on the value-creation side of the company. After my internship, I have been exposed to the other side of the business, where the value needs to be captured and how this is achieved through sales and marketing. I wanted to explore a topic that could yield some practical results, which could be applied by companies such as Manta5 that are in an establishment phase of an international

distribution chain for high value products. This aligns very closely to what I have been involved with during my internship with Manta5, so I will have the opportunity to discuss this topic as I am involved with a company who is in this very position.

1.2.2. Thesis Topic & Scope

To accredit my Masters of Applied Corporate Management, from Grenoble IAE - Université Grenoble Alpes, my thesis topic is:

The Establishment of International B2B Distribution Channels for High Value Products.

This subject aims to provide a guide for companies that are in the establishment phase of selling high value products internationally to other businesses.

SMEs often don't have the large budgets to launch their products internationally as effective as the larger companies who are already established in these markets. Therefore, this thesis aims to provide a guide for these companies that will help narrow their focus on the most effective strategies and methods of penetrating these international. This research will be completed through three research methods: review and analysis of available literature on the topic, interviewing of experts and stakeholders, data gathering from experts through a survey.

2. Literature Review

An in-depth literature review was conducted, with the study of business school journal articles, business articles, New Zealand Trade & Enterprise (NZTE) resources and other sources of information. The information gathered from this research is presented below in four subjects so that we can collaborate and compare the research on each topic.

2.1. Challenges for Exporters

In (Exporting challenges and responses of New Zealand firms, 2021), (Sim, Bull, & Mok) discuss the major challenges facing New Zealand exporting firms. This resource acknowledges that the exporting industry in New Zealand is migrating towards higher value, niche markets. With the geographical location of New Zealand, and the extra demands of exporting these higher value goods, there are inherent challenges that must be overcome to export successfully. Although (Sim, Bull, & Mok, 2021) mention these 'higher value' goods, they cast their net wide and look at a large number of firms from New Zealand, who do not necessarily all export high value goods. Therefore, the information we take from this study does not include the additional complications of exporting high value goods.

(Exporting challenges and responses of New Zealand firms, 2021) reported three main categories of challenges faced by exporters in New Zealand:

<i>Main challenges faced by exporters in New Zealand</i>		
Getting in front of the customer	Winning the customer	Operations and practicalities
Establishing distribution channels	Brand awareness	Governance and planning
Regulation	Competition	Presence and recruitment
Networking	Pricing	Resources
Market access	Market understanding	Culture and language
Supply chain	Value proposition	
	Differentiation	

Table 1: *The main challenges faced by exporters in New Zealand, made with data from (Exporting challenges and responses of New Zealand firms, 2021).*

Furthermore, (Sim, Bull, & Mok, 2021) go on to list all the challenges reported by these firms in the order of most commonly reported. Interestingly, the top three challenges were:

<i>Top 3 challenges faced by exporters in New Zealand</i>		
1. Brand Awareness	2. Partners and channels	3. Competition

Table 2: *The top three challenges faced by exporters in New Zealand, made with data from (Exporting challenges and responses of New Zealand firms, 2021).*

Contrary to (Exporting challenges and responses of New Zealand firms, 2021), (Exporting challenges of SMEs, 2017) looks at challenges facing exporters from a theoretic perspective, rather than a hindsight, results-based perspective. In particular, the study looks at key exporting challenges facing SMEs. A major theme that runs through (Exporting challenges of SMEs, 2017) is internationalization.

This concept is greatly researched and there are many models for it, but essentially, it encompasses a theoretical model for how firms should strategically move their operations internationally successfully. Various well-established models are discussed, including the 'Product life cycle theory', the 'Uppsala Model', the 'Network Approach & INVs' and 'Born Globals'. International New Ventures (INVs) and Born Global companies are firms that internationalize very soon after they begin operations. These firms often become INVs because they have a highly innovative good or service that they can gain a competitive advantage over other solutions in an international market immediately after conception. These firms are not necessarily all located in one industry, but can be observed across a range of industries, and mainly dependent on where their target market for their goods and services are located.

(Paul, Parthasarathy, & Gupta, 2017) provide a list of key internal barriers facing SME exporters:

<i>Key international barriers facing SME exporters</i>
Difficulty in selecting reliable distributors.
Lack of negotiating power.
Little understanding of target market and its challenges.
Poor organization of exports department.
Inability to access information.
Short international experience.
Inability to achieve competitive advantage in foreign markets.
Lack of capital and insufficient resources.

Table 3: *The key international barriers faced by SME exporters, made with data from (Exporting challenges of SMEs, 2017).*

2.2. Finding Distributors

In (Four paths to export success, 2014), some sound advice is given for New Zealand companies getting established. (Four paths to export success, 2014) builds on the main challenges we learnt from our other sources of research by tackling the issue of finding high quality distributors, who can see the same value in your product and effectively convey this to their local market. Major pieces of advice from (Four paths to export success, 2014) include:

<i>Major pieces of advice for New Zealand exporters to find quality distributors</i>
Growth and success comes from a distributor passionate about your product.
The right distributor can harness their own extensive network that would otherwise be expensive to develop on your own.
An ideal distributor is one completely focused on their market.
An extensive amount of research needs to be carried out on the distributor to understand their real capabilities, characters, track records and current alliances.
Governmental trade agencies such as NZTE are great resources as they are able to get deep research into the key market and vet potentially bad distribution partners.

Table 4: Major pieces of advice for New Zealand exporters to find quality distributors, made with data from (Four paths to export success, 2014).

2.3. Distribution Strategies

(Old and New Distribution Channels in the Luxury Sector, 2016) looks at the old and new distribution channels in the luxury sector by analysing current and past strategies. Although we are not specifically concerned with luxury products in this topic, some of this information can overlap with the high value, niche markets that we are interested in. The relationship between the customer and this high value product in (Old and New Distribution Channels in the Luxury Sector, 2016) is emphasized by (Mosca & Giacosa) as critical to the success of a distribution channel. The distribution channel is where the customer has the chance to interact with the product, and every aspect of that experience influences whether or not the

customer is willing to pay the premium price for the product. (Old and New Distribution Channels in the Luxury Sector, 2016) describes three main strategies of distribution utilized in the current luxury market:

<i>Three main distributions strategies utilized in the luxury market</i>		
Exclusive Direct Distribution	Exclusive Indirect Distribution	Mixed Distribution
Very specific points of sale	Carefully selected partners	Most common strategy
Highly exclusive products	Best able to convey brand and products of the company	Mixture of exclusive direct & exclusive indirect distribution
Brand and product image preserved	Minimal investment and local knowledge of market required	Advantage of brand preservation for product experts and market share increase
High chance of reduced market share	Less control over distribution channel	Disadvantage of reduced control over channel and investment required

Table 5: *Three main distribution strategies utilized in the luxury market, made with data from (Old and New Distribution Channels in the Luxury Sector, 2016).*

Moreover, several factors and their implications are also discussed in (Old and New Distribution Channels in the Luxury Sector, 2016) relating to the various distribution strategies:

<i>Mixed distribution strategy implications</i>
Unstable Balance: Careful balance between direct and indirect required - 40% direct sales recommended.
Brand Image: Higher percentage of direct sales increased the perceived brand value and image.
Balance & Risk: In regions of higher market risk, a lower percentage of direct distribution is advised.
Maturity of Customers: Markets with presence of more knowledgeable and demanding customers are recommended to have a higher percentage of direct distribution.

Table 6: *Mixed distribution strategy implications, made with data from (Old and New Distribution Channels in the Luxury Sector, 2016).*

(Supply chain management in the luxury industry, 2011) looks at the supply chain management of luxury products. Although in this study, (Caniato, Caridi, Castelli, & Golini) categorized luxury products as the top segment within each industry. In this study many different companies were looked at, which all produced different products and were categorized based on their sales volumes and product complexity. From these categories, the similarities in distribution strategies were examined and compared.

(Caniato, Caridi, Castelli, & Golini, 2011) identified three main clusters of companies:

<i>Company clusters from sales volumes and product complexity</i>
Fashion Goliaths: High sales volumes and low product complexity. These can be described by being large firms, producing fashionable products and having a symbolic brand reputation.
Quality David's: Low sales volumes and low product complexity. These can be described by being small firms, producing fashionable products and having a technical brand reputation.
Techstige: Low sales volumes and high product complexity. These can be described by being large firms, producing non-fashionable products and having both a technical and symbolic brand reputation.

Table 7: *The different company clusters made from variations in sales volumes and product complexity, made with data from (Supply chain management in the luxury industry, 2011).*

The Techstige cluster in (Supply chain management in the luxury industry, 2011) would relate the best to the topic we are researching. The most common successful distribution strategies for this cluster included two main channels; mono-brand, direct-operated stores and multi-brand independent dealers. (Caniato, Caridi, Castelli, & Golini) observed that the multi-brand independent dealers were more abundant within the furniture, automotive and yachting industries. Mono-brand stores were particularly important for conveying lifestyle, exclusivity, and emotional appeal. Direct marketing channels were used more often to reach the final customer more effectively and the brands paid very close attention to the performance of their dealers. This is extremely important as the brand's value depends on every step of the purchasing cycle, including the advising, delivery, before- and after-sales support and other benefits of the luxury product offer.

2.4. Solutions for Exporters

(Exporting challenges and responses of New Zealand firms, 2021) is a document put together for New Zealand exporters as a guide that discusses the challenges and responses of New Zealand companies. The challenges that were faced was discussed in 2.1. However, (Exporting challenges and responses of New Zealand firms, 2021) also includes some valuable information for potential solutions to these challenges based on what current firms working with NZTE have undertaken.

The activities found to be used by (Sim, Bull, & Mok) to be the most common were divided into six broad categories:

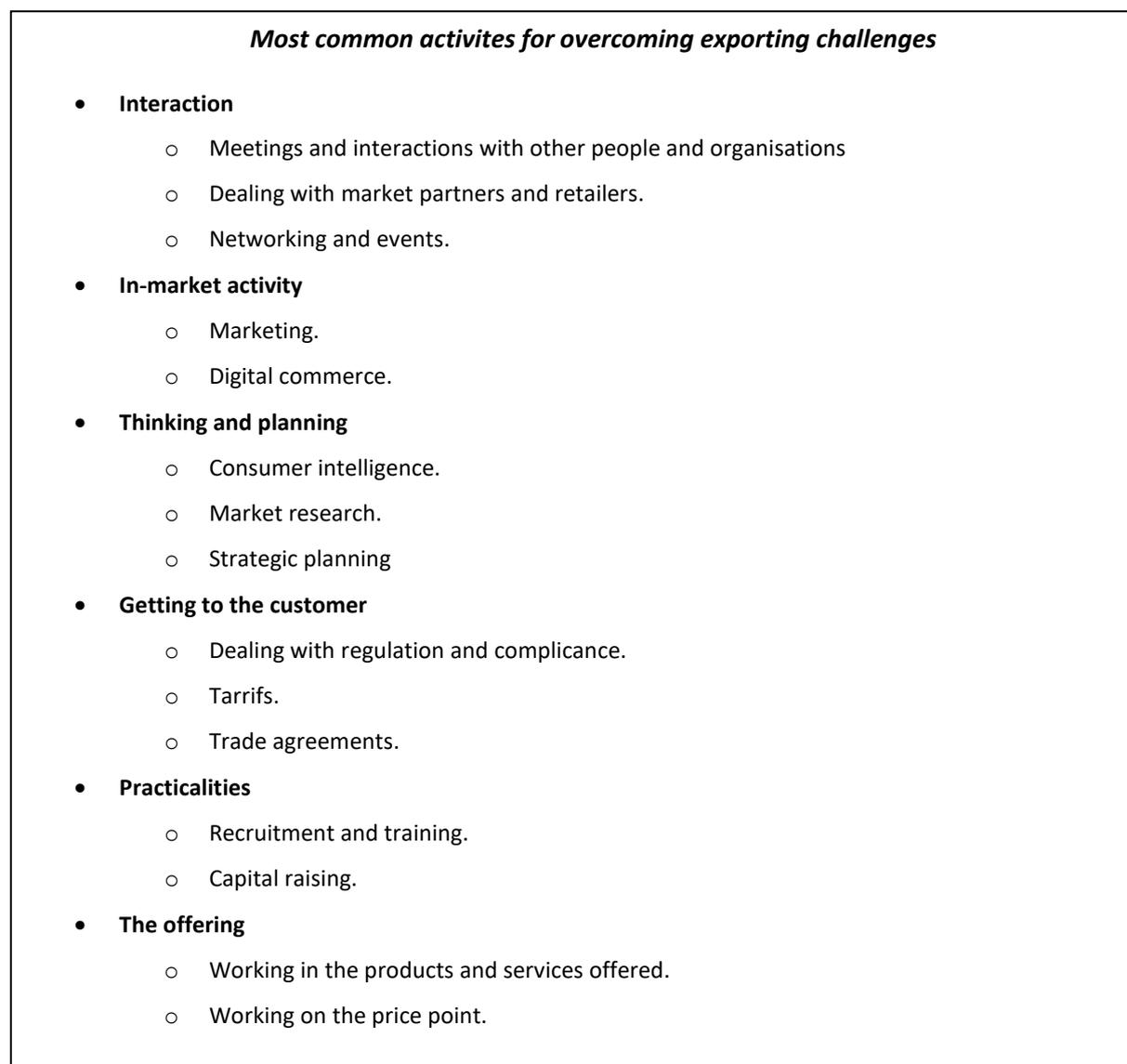


Figure 3: *The most common activities for overcoming exporting challenges amongst New Zealand companies, made with data from (Exporting challenges and responses of New Zealand firms, 2021).*

(Sim, Bull, & Mok, 2021) also very conveniently provide us with the most commonly observed activities from these six categories and rank them by how often they were observed.

Top 3 most common activities for overcoming exporting challenges		
1. Introduction and networking	2. Working with distribution and market partners	3. Strategic planning

Table 8: *The top three common activities for overcoming exporting challenges, made with data from (Exporting challenges and responses of New Zealand firms, 2021).*

As mentioned in 2.1, (Exporting challenges of SMEs, 2017) looks at the exporting challenges of SMEs. In the discussion of this paper, (Paul, Parthasarathy, & Gupta) offer five propositions for SMEs to overcome these exporting challenges:

Five propositions for SMEs to overcome exporting challenges
SMEs need unique and appropriate sets of strategies to overcome the expected micro and macro level barriers.
SMEs that show high entrepreneurial orientation tend to succeed better at exports, owing to their ability to deploy effectuation strategies and particularly their proactive use of network advantages.
The better the firm level capability to make use of institutional support such as government incentives, higher the probability of exports success of a small firm.
Innovation capabilities are vital for an SME's sustained success in exporting.
Firms that leverage network relationships have a relatively higher probability of success in exports.

Table 9: *The five propositions offered to SMEs to overcome exporting challenges, made with data from (Exporting challenges of SMEs, 2017).*

(Export NZ CEO Forum, 2010) is a document that has been made by Export New Zealand in 2010 based on several large exporting forums across New Zealand with exporting companies. In each of these forums, companies were asked; “what can you do to turbo-charge export growth?” (ExportNZ) provides an extremely valuable set of results that give a great insight into the strategies and solutions of New Zealand exporters overcoming challenges in a range of industries.

Many results came from this study, of which we will select the key pieces of information that relate to our research topic. These can be divided into five main categories:

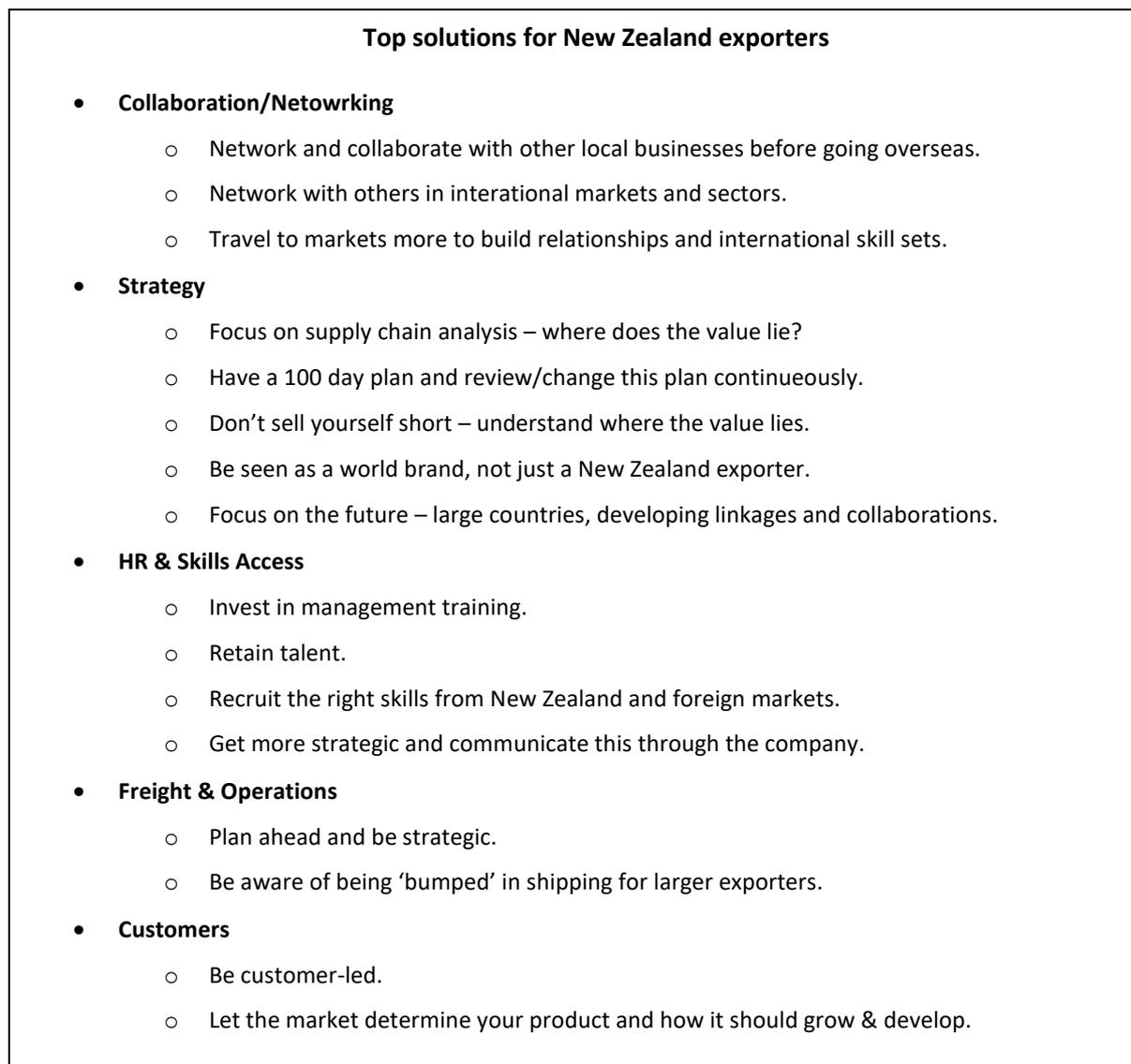


Figure 4: The top solutions for New Zealand exporters, made with data from (Export NZ CEO Forum, 2010).

(Going Global) is an article formed by (Idealog.co.nz) and funded by several New Zealand exporting stakeholders, including NZTE and Export New Zealand. This article includes several chapters that cover many different aspects of exporting from New Zealand, including chapter 3, which is the most relevant to our research.

Within chapter 3, there are several topics which are summarised below:

What to look for in a country for successful exportation
Country demographics, market size, market segmentation.
Political stability and security.
Economic situation.
Regulations and entry requirements for the chosen market.
Distribution channels – be clear about how you can protect and encourage your particular channel to perform.
Required exporting documentation
Customers – who, what, why?
Competitor’s product and services and respective performances.
Market entry models of other exporters – fit this to your business.
Market trends.
In-country regulations.

Table 10: *The top characteristics to look for in a successful exportation country, made with data from (Going Global).*

(Idealog.co.nz) goes on to list their 5 C's of exporting, which can be used as a simple guide to exporters in New Zealand to overcome the exporting challenges faced.

The 5 C's of Exporting
Clarity: Clear visions of your product, market and plan for measuring and monitoring your progress towards success.
Cash: Ensure significant financial resources are available to meet establishment costs.
Connections: Establishing networks and partnerships with dramatically increase your market knowledge and access to opportunity.
Capability: Make sure to have people on the ground, that are capable, governance structure, processes and oversight of NZ management.
Commitment: Breaking into a new market takes time, sacrifice and the right balance between leadership strategy and putting in hard work.

Table 11: A guide to exporting called 'the five C's of exporting', made with data from (Going Global).

3. Methodology

3.1. Summary of Literature Review

The information displayed in the literature study (section 2) has already been carefully selected to highlight only the relevant information from each source to our research topic. However, there is still a lot of information about similar topics, with many different answers and related to different stages of the exporting process. With this wide range of data, all answering slightly different questions, our challenge is to find the information from this literature study and refine it for our particular research topic of *the establishment of international B2B distribution channels of high value products*.

Section 2.1

Within section 2.1, we looked at the *Challenges for Exporters*. Within this research, two pieces of research were explored that touched on this topic, (Exporting challenges and responses of New Zealand firms, 2021) and (Exporting challenges of SMEs, 2017).

With regards to our research topic, (Sim, Bull, & Mok, 2021) provided a valuable insight into real-world data, from real companies. This data was gathered from all forms of exporting companies in New Zealand, regardless of whether or not they were specifically exporting B2B or they were exporting high value products. Hence, this data cannot be linked directly to high value products, but as mentioned in section 1.2.1, a reasonable majority of New Zealand export is within these niche industries that seem to be within the high value category. Therefore, a lot of this data provided by (Sim, Bull, & Mok, 2021) should be relevant to our specific topic, but we need to take note that it will not correspond exactly.

(Paul, Parthasarathy, & Gupta, 2017) looked at a broader topic of purely the exporting challenges of SMEs. This again does not consider the value of the product, nor the relative remoteness of the country of origin compared to a lot of the other data being sourced from New Zealand. Furthermore, we need to be aware that this data is more theoretical than practical results. This may not provide us with the same 'real world' challenges and solutions, but it gives a valuable comparison to the other data and creates a good balance that we can draw some well-rounded conclusions from.

Section 2.2

Within section 2.2, we looked at *Finding Distributors*. This research was not as comprehensive as some of the other subjects as there was not many valuable resources found on the topic. However, (Four paths to export success, 2014) provided such valuable information for the 'establishment' aspect of our topic, that this section was necessary to include. (Idealog.co.nz, 2014) provides the readers with five key pieces of advice from very experienced figures within the New Zealand exporting industry, such as Catherine Beard (executive director at Export New Zealand), Andy Doherty (chief executive at Bergrow), Jorge Forteza (economist at NZTE) and James Gray (director of Canary Foods). Whereas section 2.1 and section 2.4 look more at the bigger picture of the challenges and solutions for exporting, section 2.2 dives deeper into an important topic to get some tangible results which are practical and can be easily implemented.

Section 2.3

Within section 2.3, we looked at *Distribution Strategies*. Within this section, (Old and New Distribution Channels in the Luxury Sector, 2016) provided us with some very detailed information into the various methods that distribution can be accomplished through different strategies. This particular topic looks into the luxury industry, which is an industry that is interesting to draw some information from as this merges with the high value, niche products our topic focusses on. However, caution needs to be taken when looking at some of the strategies recommended from this research, as distribution within the luxury industry only has a few links with our research topic. This research doesn't fully take into account the international aspect of our topic, nor does it look at B2B or the establishment phase of any of these companies undertaking these strategies. Although there are many dis-similarities between this literature and our research topic, it provides a healthy look into how high value products are sold across a wide range of products, which can potentially be adapted to this topic.

Section 2.4

Within section 2.4, we looked at *Solutions for Exporters*. Four different pieces of valuable literature were found on the topic, two of which have already been used to explore the challenges of exporting in section 2.1, as well as two new sources.

(Exporting challenges and responses of New Zealand firms, 2021) uses the same method as in 2.1 by looking at most common activities in New Zealand exporting companies. However, towards the end of the document, they use the same technique to highlight the most common solutions to the challenges outlined in 2.1. Once again, this may not necessarily be applicable to high value products and may not be applicable to companies in the establishment phase. However, this document does provide some very valuable solutions that will be very applicable to other aspects of our research topic.

(Exporting challenges of SMEs, 2017) follows on from the theoretical challenges faced by SMEs by also looking at some solutions to these challenges. Once again, these solutions are aimed towards exporting SMEs and does not take into account the high value products, nor the same exporting distance that some of the New Zealand sources have. However, with the focus more on SMEs, there is a higher chance that this research will touch more on the 'establishment' phase of this international distribution more than some of the other literature sources.

The (Export NZ CEO Forum, 2010) is a very powerful document that gathers up all the advice from CEOs around New Zealand on the topic of exporting. Similarly to (Exporting challenges and responses of New Zealand firms, 2021), the document does not directly link to the high value of the products, nor the establishment phase of this international distribution directly. However, this document provides us with another set of solutions that can help connect the dots with our research.

(Going Global) is an article that provides us with some very detailed steps into looking for a suitable market to export to. Furthermore, a simplified guide for exporting is also provided in the form of their '5 C's of Exporting'. This document gives us some great information to add to section 2.2 of finding distributors as well as some more global advice that we can draw conclusions from.

3.2. Interviewing of Experts

Although it is possible to learn a lot from available publications in a detailed literature study, a lot of value can be gained in a very short period of time when talking to experts. The research method of interviewing was chosen to gain a better understanding of the topics at hand and to get some personal opinions. Albeit there are some conclusions to be drawn from the literature review, interviewing was a way to verify this theory with some real-life perspectives who are currently active in the industry.

When choosing to interview people, with the time available, it was decided to interview a senior executive of Manta5 as well as one other company. This other company would ideally be in a very different position to Manta5 in terms of their distribution strategy, maturity, product, and culture for maximum diversity of opinions. The plan was also to interview a member of the European NZTE, however, this person was unavailable to conduct an interview due to a medical emergency. Therefore, it was chosen to interview:

- **Mark Robotham** – *CEO at Manta5 NZ*

Mark was an obvious choice as he is the CEO of the company I had completed my internship with, and is an expert in this subject. An interview with Mark would significantly help to validate my understanding of the reasons why Manta5 is undertaking its current distribution strategies. Furthermore, as a former senior member of many other exporting companies in New Zealand, Mark has a wealth of knowledge of the industry as a whole.

- **ANONYMOUS** – *Managing Director Europe at ANONYMOUS*

ANONYMOUS was a contact that was referred to me by the Europe NZTE as a leader in another New Zealand company who is based in Europe. ANONYMOUS is a company that was founded in New Zealand and has shifted its focus to the European markets. ANONYMOUS is a much older company, being founded in the early 1980s, and was not a 'Born Global' company in the way that Manta5 is. Therefore, this establishment process of their international distribution channels took longer to establish as there was a big enough market locally in New Zealand at the early stages of the company's maturity. ANONYMOUS's opinion is valued as it provides another perspective on this topic from a stakeholder that isn't based in New Zealand, but an active expert in the industry.

The interview questions were carefully constructed to try to gather as much information as possible from an answer. Some of these questions would be asked to compare the answers with our literature study, whereas other questions were asked to better understand the topic globally and to get some good advice that could be relayed on to the reader. This was done in the form of asking open-ended questions that invoke the interviewee to answer their personal opinion and to state their reasoning behind what they answered.

Three to four questions were asked on each subject to try and gain thorough understanding of all aspects of the current information gained. The questions asked can be seen in figure 5 below:

- | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Challenges of Exporting</p> <ol style="list-style-type: none">1. What are the top 3 challenges facing companies looking to establish international distribution channels?2. What do you believe is the top reason for why some companies fail when establishing their distribution channels?3. What are the added challenges of international distribution of high value products? <p>Finding distributors</p> <ol style="list-style-type: none">4. What are the top 3 characteristics you look for in an international distribution partner?5. To what extent are indirect distribution channels effective at conveying the value of a high value product?6. How much emphasis should companies be putting on establishing direct exclusive distribution channels for their high value products in foreign markets? <p>Distribution strategies</p> <ol style="list-style-type: none">7. For your product, what distribution strategy is being implemented and why?8. What aspects of your distribution strategy are the most heavily influenced by the high value of your product?9. Is your distribution strategy similar in your local market? If no, what are these differences?10. For high value products, how do you find the balance between distribution channels that retain your product's perceived value vs distribution channels that can provide high sales volumes? <p>Solutions for distributors</p> <ol style="list-style-type: none">11. What is your top piece of advice to companies looking to establish international distribution channels?12. To what extent of comprehension do you think companies understand their target market before they establish these distribution channels?13. What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels? |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Figure 5: Questions asked to the interviewees about the four different subjects researched.

The audio of the interviews were recorded, and notes and quotes from each can be found in appendix section 2 and appendix section 3.

3.3. Survey of Experts

The research tool of surveying was utilised as a method for gaining a larger amount of data in a short period of time. This survey data could be used to further validate the information of the literature study as well as the answers given in the interviews. As this topic is very broad, many of the technicalities within this topic varies in different industries. Furthermore, with a sample size of only two interviewees, a survey would be a good method to get a more conclusive understanding of the true voice of the industry.

The survey created was very similar to the interview questions, with a few of the more technical questions about the individual's product and brand removed to make the survey more universal. As this survey was sent to organisations involved in exporting, and not just companies, this survey needed to be able to cater to people who don't have a company or product they are trying to distribute.

With the nature of interviews, it's easy to understand all the layers between a simple 'yes or no' as it is conveyed with tone and the way the answer is given. As most of these questions are open-ended and designed in a way that the answers cannot simply be a 'yes or no' answer, some other answering options were added. These options included multiple-choice boxes, where the person could select the box that best represented their response. As seen in appendix section 1, questions 5 and 9 were given the option of answering in this method.

Question 5 in particular was difficult because it touched on 'how effective are in-direct distribution channels at conveying a high value product's value'. As this is a complicated question, that resulted in complicated answers in the interviews, the number of potential answers and the scale was adapted to suit the requirements. Therefore, a short statement, such as, 'acceptable', was allowed with an accompanied percentage value, such as '40-60%'. However, this scale was made non-linear to capture more detail in the answers in the higher percentages of effectiveness. The lower end of the scale was made in 20% increments, while in the higher end of the scale, 10% increments were used to gain a better understanding of what the survey participants really thought.

Thinking ahead towards the processing of this data, the majority of the answers gathered from this data were not easy to gather conclusive results from. Questions 1, 4 and 8 are questions that could be answered with a simple list, and in the case of these results, the most

popular answers to these questions could be identified. Otherwise, for all the other questions already mentioned, the method of quantifying the data will come from categorising the answers and presenting the most common themes.

Due to the specificity of this topic, only a small minority of people would be qualified to answer the questions in this survey. This made it challenging to find people to complete the survey. Resources such as the NZTE website were used to find exporting companies, who were then vetted for whether they exported high value products or not. Other companies in the manufacturing and food industries who displayed traits of selling a premium product internationally were contacted. Organisations such as the Waikato Exporters Association were also contacted to gain contacts that I could forward the survey to.

The survey was sent to approximately 30 different people, companies and associations who fit the specifications of being knowledgeable enough on the topic to be deemed as an industry expert. Of this group, there were only 7 surveys completed. This resulted in some good quality results, from a wide variety of industries, companies, and opinions. Ideally, the goal was to get at least 10 sets of data for this study, but this was not achievable within the time limitations.

3.4. Amalgamation of the Results

After reaching into three different methods of gaining information about a topic that has been divided into four different subjects, there was a significant challenge of having to amalgamate all of the results. To do this, the method used was to divide all the information into the four subjects. Within these individual subjects, we were able to present the key pieces of information from the literature review, information from the interviews and the charts generated from the survey.

From each of these research methods, we could start to draw some similarities and differences between each method about the same subject. To do this a simple three-way Venn diagram was used. This provides a very simple and effective way of communicating the themes that are represented by each method used to research the respective topic.

3.5. Cheat Sheet

The 'cheat sheet' is the final summary of all the conclusions that were found in this research, condensed down into a one-page document. This serves the purpose of having a simple, easy, and practical guide to establishing international B2B distribution channels for high value products.

To do this, within each subject, we took the themes from the Venn diagram that were identified in at least two of the three research methods (overlapping in the Venn diagram). This way, all of the information has at least been approved by two experts within the industry, and most likely a lot more. From there, we can look back at the sources of the data that brought it to the centre of the Venn diagram and expand on the major themes those sources were trying to convey.

Finally in the subject, 'Solutions for exporters', the information was divided into four different themes:

- Strategy & Planning
- Networking
- Sales & Marketing
- Product Offering

This was done as there were many different great solutions found in the research and these themes provided a good way to categorize and simplify the information into more applicable areas of focus for a company.

4. Data Analysis

4.1. Challenges of Exporting

4.1.1. Objective of Internship

I reached out to Manta5 for an opportunity after seeing their targeted marketing to the European market and having a passion for the New Zealand made product. With a large company focus on introducing the XE-1 into the European market, they were enthusiastic in discovering a local, with a water sports background, already living in the target market and speaking two European languages. After several meetings with the Head of Sales, and my company tutor during my internship, Ray Lewis, I was given a job description that included a title and several main objectives:

Title: Sales & Marketing Assistant

Objectives:

- Administration of Sales in CRM
- EU PR & Digital Marketing Activity Support
- Direct Sales Support
- EU Event Support

4.1.2. Literature Review

The top three challenges listed from (Exporting challenges and responses of New Zealand firms, 2021) were:

1. Brand awareness
2. Partners and channels
3. Competition

Furthermore, the major takeaways from (Exporting challenges of SMEs, 2017) were:

- Selecting reliable distributors.
- Little understanding of target market.
- Short international experience.
- Inability to achieve competitive advantage in foreign markets.

4.1.3. Interview

- Interview Question 1: What are the top 3 challenges facing companies looking to establish international distribution channels?
 - Supply chain – issues with getting product internationally.
 - Brand value – don't create demand before the product.
 - Logistics – inability to adapt to rapid change.
 - Distance to market – harder to understand the market.
 - Supply chain – stocking balance is a challenge.
 - Finding the right fit – finding good distributors is difficult.
- Interview Question 2: What do you believe is the top reason for why some companies fail when establishing their distribution channels?
 - Can't just rely on the product alone, have to be the easiest to do business with.
 - False hope in thinking that distributor is an internal person in market for you.
- Interview Question 3: What are the added challenges of international distribution of high value products?
 - Supplying samples to customers & product issues are expensive.
 - Supply chain - distributors don't want to hold stock.

4.1.4. Survey

- Survey Question 1: What are the top 3 challenges facing companies looking to establish international distribution channels?

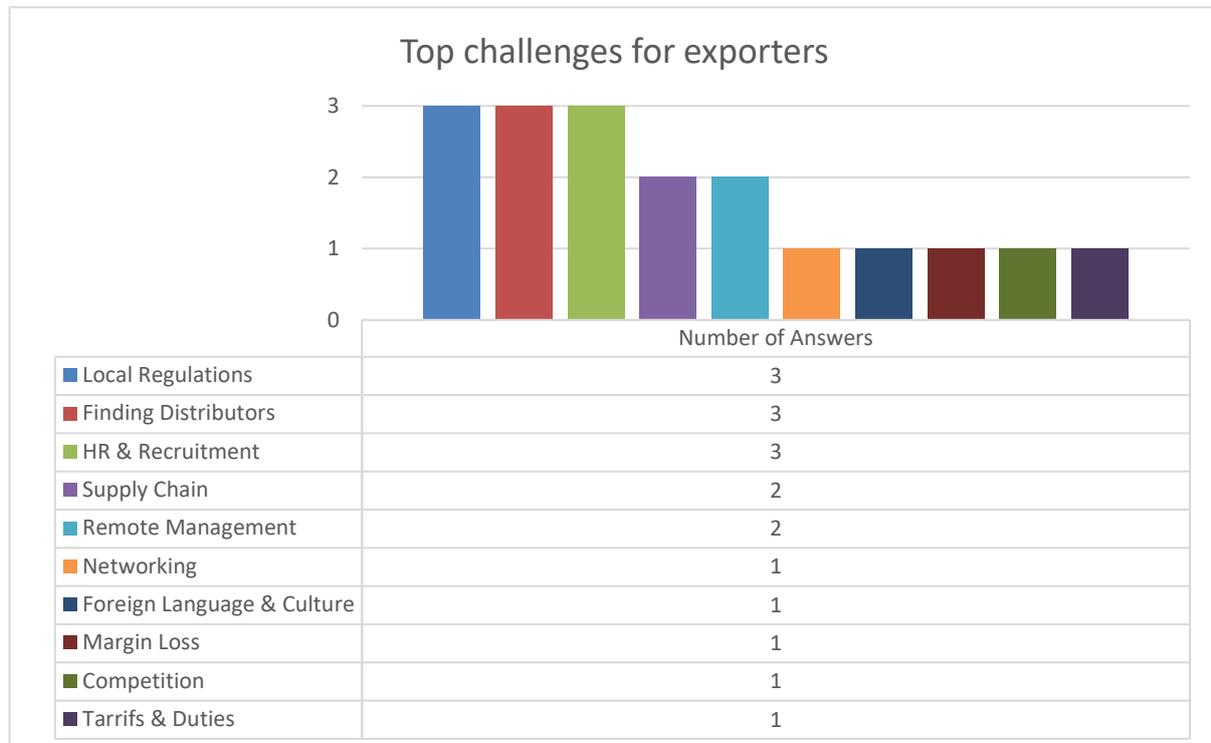


Chart 1: 'The top challenges of exporting' results from the surveying of experts, showing that local regulations, finding distributors and HR & Recruitment were the top challenges.

- Survey Question 2: What do you believe is the top reason for why some companies fail when establishing their distribution channels?

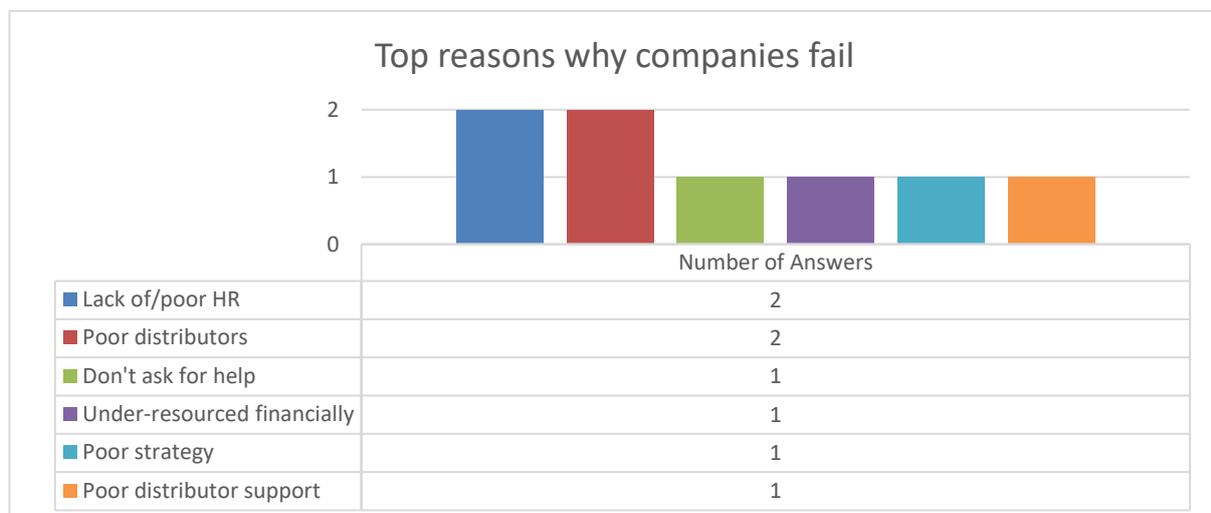


Chart 2: 'The top reasons why companies fail' results from the surveying of experts, showing that lack of/poor HR and poor distributors were the top reasons.

- Survey Question 3: What are the added challenges of international distribution of high value products?

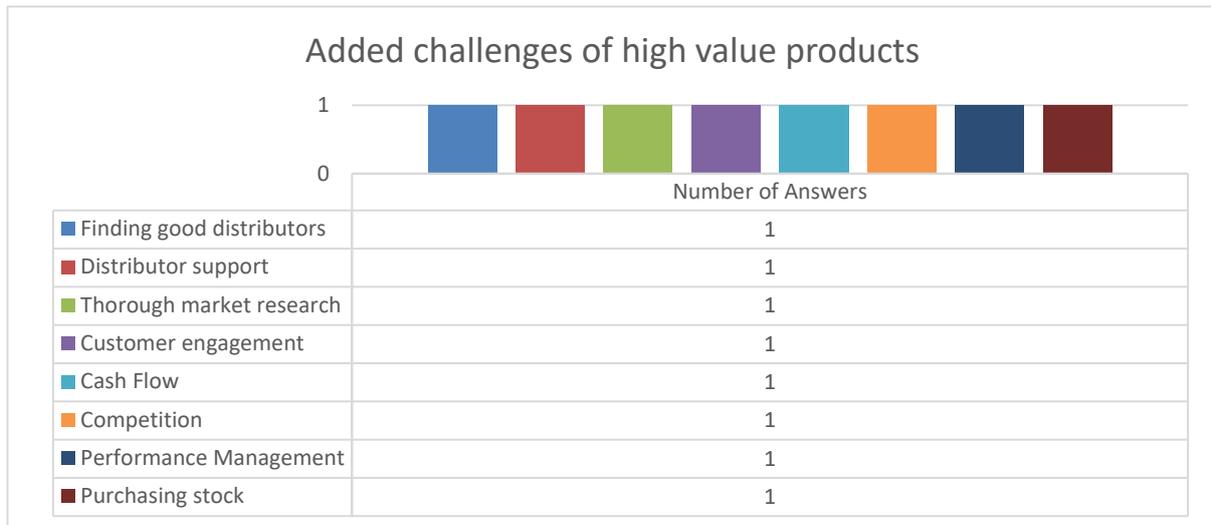


Chart 3: ‘The added challenges of high value products’ results from the surveying of experts, showing that there is a wide range of added challenges of no particular focus.

4.1.5. Venn Diagram

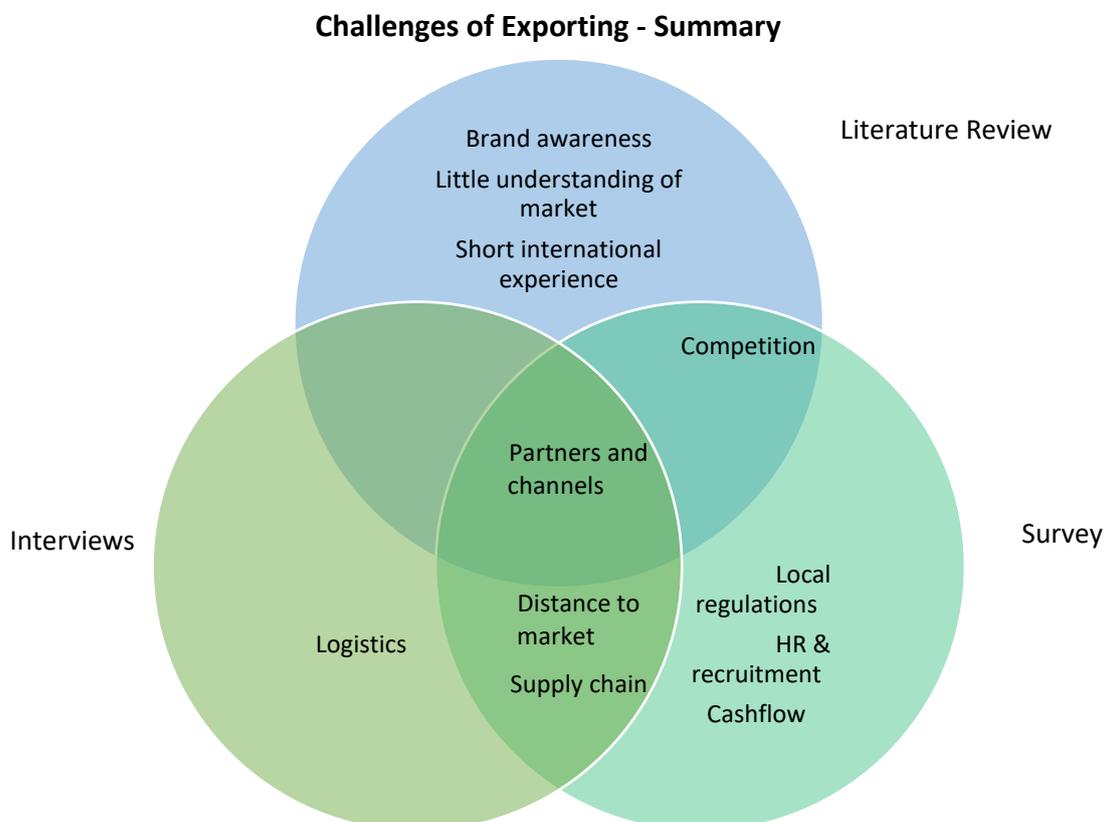


Figure 6: ‘The challenges of exporting’ combined results from the all research methods, showing that partners and channels was the major challenge, alongside competition, distance to market and supply chain.

4.2. Finding Distributors

4.2.1. Literature Review

The key pieces of information provided by (Four paths to export success, 2014) were:

- Success comes from distributors passionate about your product.
- Extensive amount of research about the distributor needs to be carried out in advance.
- Governmental trade agencies such as NZTE are great resources.
- The right distributor can harness their own extensive network.

4.2.2. Interview

- Interview Question 4: What are the top 3 characteristics you look for in an international distribution partner?
 - Brand alignment
 - Credibility, financial resources & seriousness?
 - Trust
 - Cultural fit with the business
 - Belief in the product
 - Retailer relationships
- Interview Question 5: To what extent are indirect distribution channels effective at conveying the value of a high value product?
 - You are investing capital to grow your business faster and leverage off existing relationships that the distributor already has.
 - It depends on the maturity of the company and the resources available.
 - It depends on how committed and motivated the distributor is.
 - It depends on the relationships and trust between the distributor and their customers.
- Interview Question 6: How much emphasis should companies be putting on establishing direct exclusive distribution channels for their high value products in foreign markets?

- Depends on your budget and ROI.
- It's very expensive but you can get a bigger margin.
- It's very brave and risky to establish.
- It depends on your business strategy.
- Emphasis might come when the product/brand is established in market.

4.2.3. Survey

- Survey Question 4: What are the top 3 characteristics you look for in an international distribution partner?

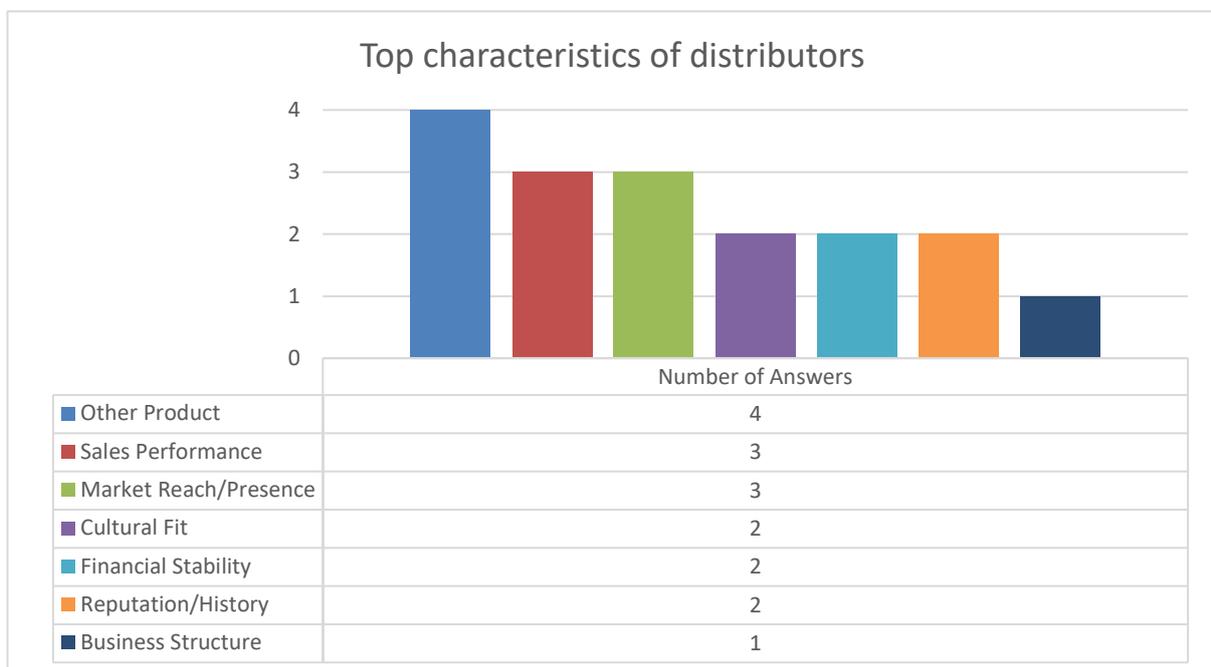


Chart 4: 'Top characteristics of distributors' results from the surveying of experts, showing that other product lines were the top characteristic when looking for a distribution partner.

- Survey Question 5: In general, how effective are in-direct distribution channels at conveying a high value product's value?

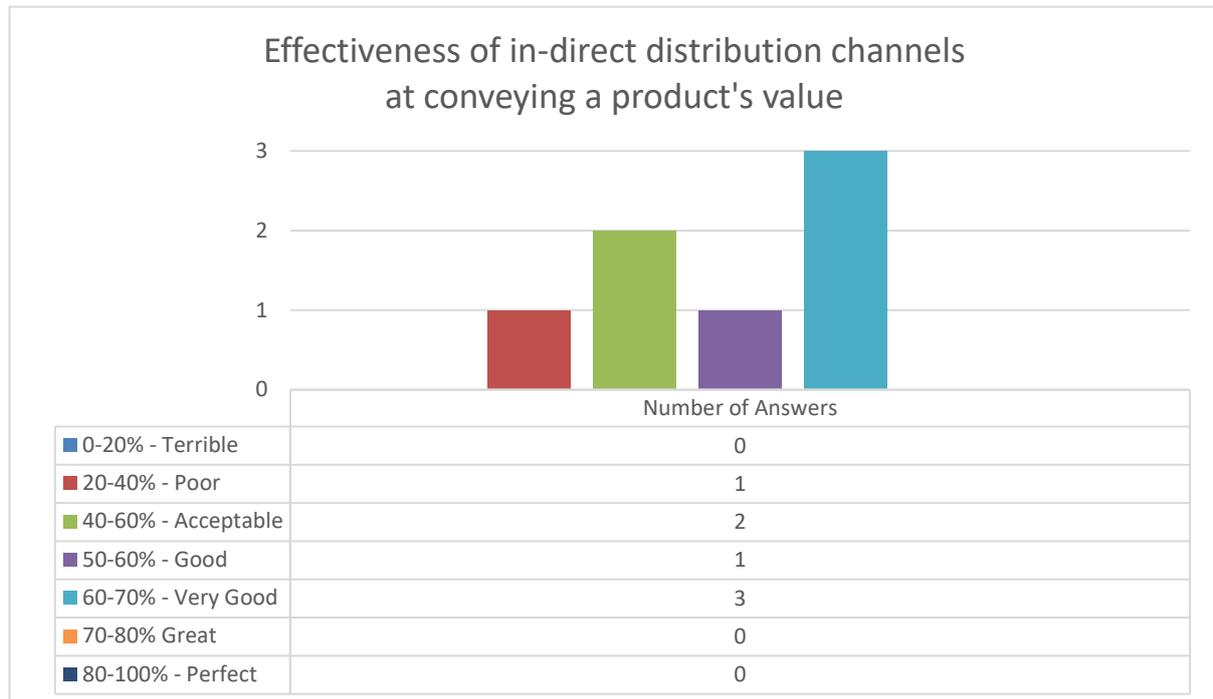


Chart 5: *'Effectiveness of in-direct distribution channels' results from the surveying of experts, showing two main groups thought they were very good and acceptable.*

4.2.4. Venn Diagram

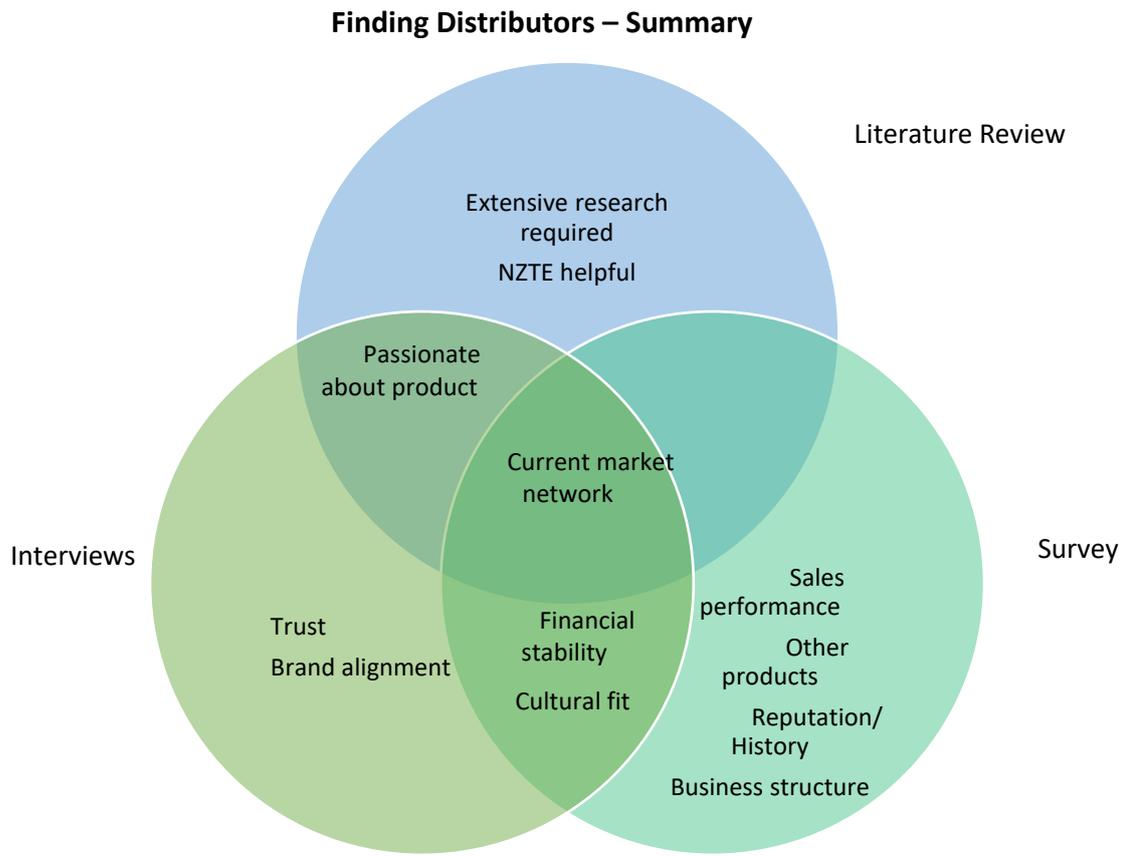


Figure 7: 'Finding distributors' combined results from the all research methods, showing that current market network was the major characteristic to look for.

4.3. Distribution Strategies

4.3.1. Literature Review

The three main pieces of valuable information provided in (Old and New Distribution Channels in the Luxury Sector, 2016) were:

- The main distribution strategy options in the luxury industry: Exclusive Direct Distribution; Exclusive Indirect Distribution; Mixed Distribution.
- Brand image: Higher percentage of direct sales increased the perceived brand value and image.
- Maturity of customers: Markets with presence of more knowledgeable and demanding customers are recommended to have a higher percentage of direct distribution.

4.3.2. Interview

- Interview Question 7: For your product, what distribution strategy is being implemented and why?
 - Started with D2C but changed to B2B for faster return on capital and market share.
 - B2B as it allows growth without serious investment into that market.
 - Significant resources required to go direct.
- Interview Question 8: What aspects of your distribution strategy are the most heavily influenced by the high value of your product?
 - Changes the type of distributors.
 - Other sales strategies (i.e. Online) are less feasible.
 - Emphasis on trust throughout the supply chain.
- Interview Question 9: Is your distribution strategy similar in your local market? If no, what are these differences?
 - Local market has low impact on business as it's too small.
 - Need to keep staff focused on the bigger markets.
 - Local market isn't big enough to sustain growth wanted.

- Interview Question 10: For high value products, how do you find the balance between distribution channels that retain your product’s perceived value vs distribution channels that can provide high sales volumes?
 - Depends on your business strategy and priorities.
 - Depends on your maturity and where in the development cycle you are.
 - This is where a portfolio of products is valuable to get both benefits.
 - Significant research required to understand the situation.
 - Depends on business strategy.
 - Easier to grow sales than fix a bad reputation.

4.3.3. Survey

- Survey Question 6: For your product, what distribution strategy is being implemented and why?

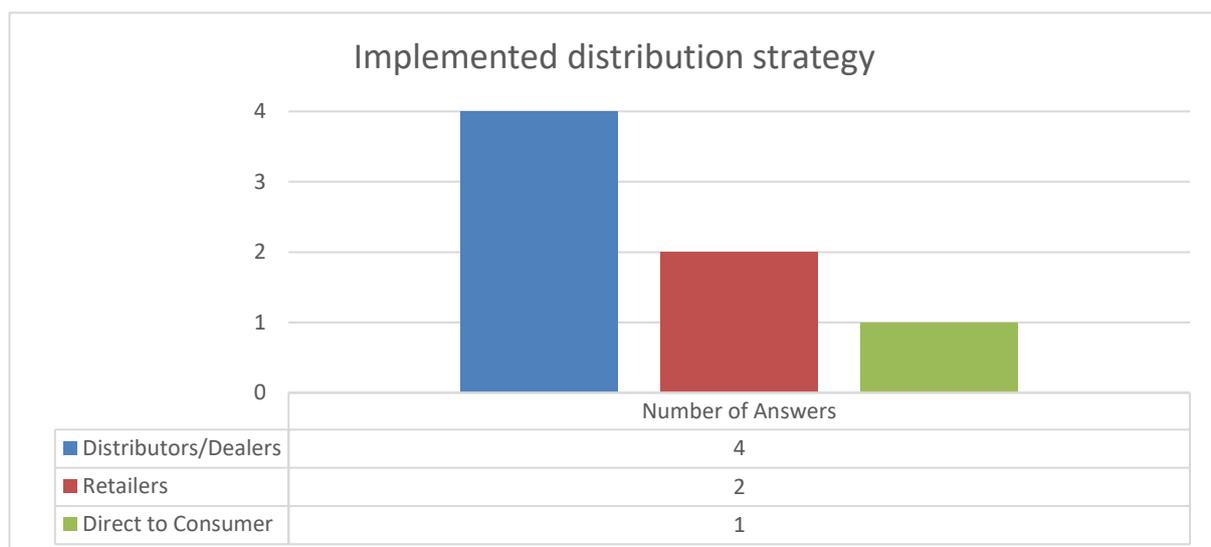


Chart 6: ‘Implemented distribution strategy’ results from the surveying of experts, showing that distributors/dealers were the top method of distribution. One survey answer N/A.

- Survey Question 7: For high value products, how do you find the balance between distribution channels that retain your product’s perceived value vs distribution channels that can provide high volume sales?

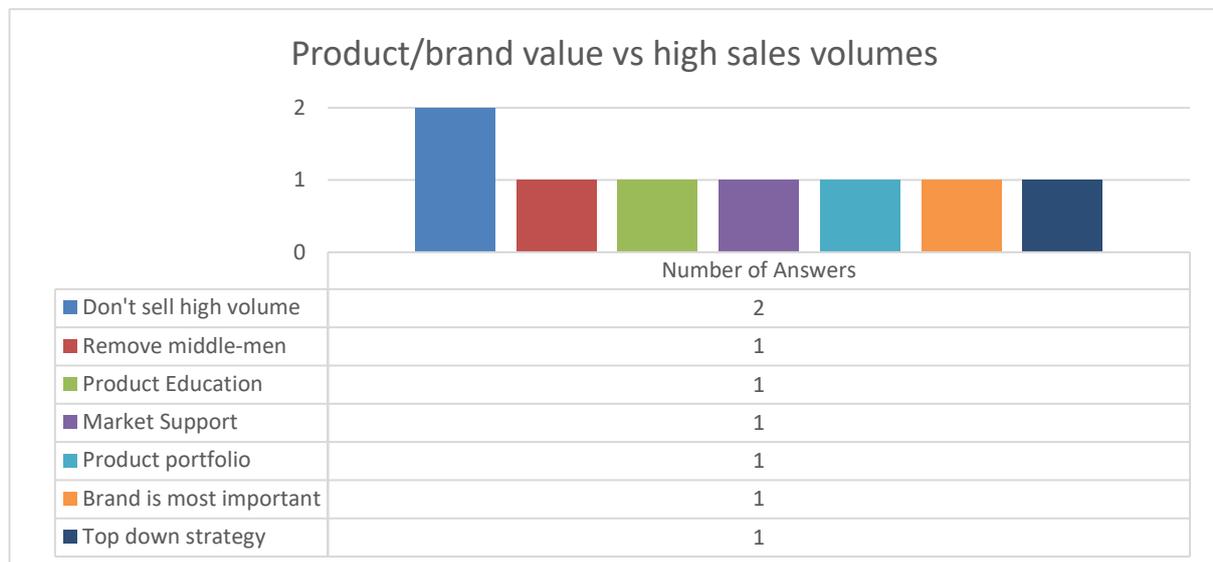


Chart 7: ‘Product/brand value vs high sales volumes’ results from the surveying of experts, showing a wide range of solutions to keeping the balance, including two answers stating they don’t sell high volume.

4.3.4. Venn Diagram

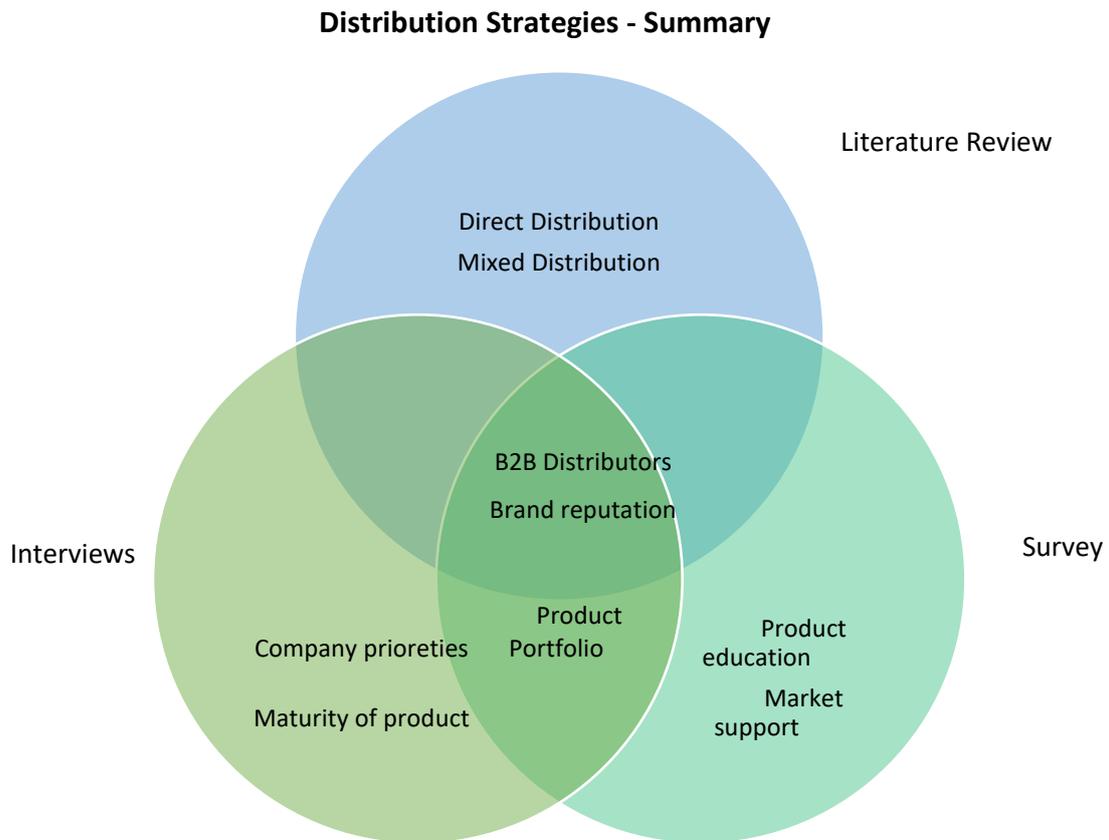


Figure 8: 'Distribution strategies' combined results from all the research methods, showing that dealers/distributors were the main target, brand reputation was the priority and a product portfolio was a great solution.

4.4. Solutions for Exporters

4.4.1. Literature Review

From the document (Exporting challenges and responses of New Zealand firms, 2021), five main key solutions to overcoming these challenges can be highlighted:

- Meetings, interactions and networking. (1st most common)
- In-market activity. (2nd most common)
- Market research and Strategic planning. (3rd most common)
- Regulation, tariffs and trade agreements.
- Working on product offered and price point.

The key propositions from (Exporting challenges of SMEs, 2017) can be simplified to the following list of four solutions:

- Need a unique and appropriate set of strategies to overcome barriers.
- Higher probability of export success if institutional support is utilized.
- Innovation capabilities are vital for sustained exporting success.
- Higher probability of export success if their network is relationships are leveraged.

Albeit there was a lot of very detailed information provided from the (Export NZ CEO Forum, 2010), the main key solutions can be summarized into the following three:

- Collaboration/networking.
- Strategy building in supply chain and value analysis.
- Be customer-led.

Finally, (Four paths to export success, 2014) provides a lot of very practical advice that can be used for the establishment of exporting, which can be summarized into the following:

- What to look for in a successful exporting country?
- Clarity around your product, market and plan for controlling progress.
- Establishing connections will dramatically increase market knowledge.

4.4.2. Interview

- Interview Question 11: What is your top piece of advice to companies looking to establish international distribution channels?
 - Build up brand credibility.
 - Use time efficiently by finding large distributors.
 - Do your research thoroughly and don't chase every shiny object.
 - Spend time finding the right distribution partner.
 - Utilize governmental support (NZTE) and your network.
- Interview Question 12: To what extent of comprehension do you think companies understand their target market before they establish these distribution channels?
 - "New Zealand companies suck at sales and marketing."
 - Need to create demand for product in market before going to market.
 - Product development, production & manufacturing and sales & marketing are a three-legged stool – balance is key.
 - Some do it very well and others don't do it at all.
 - "If you're assuming, you're wrong."
 - The international markets are so different to local markets.
 - When New Zealand companies do thorough market research, it's great.
- Interview Question 13: What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?
 - Spend time in the market.
 - Can work with marketing agencies and networking advice.
 - Talk to everyone to understand the demand in the market.

4.4.3. Survey

- Survey Question 8: What are your top pieces of advice to companies looking to establish international distribution channels?



Chart 8: Top advice for companies results from the surveying of experts, showing that researching distributors and seeking help from their network were the top pieces of advice.

- Survey Question 9: To what extent of comprehension do you think companies understand their target market before they establish these distribution channels?

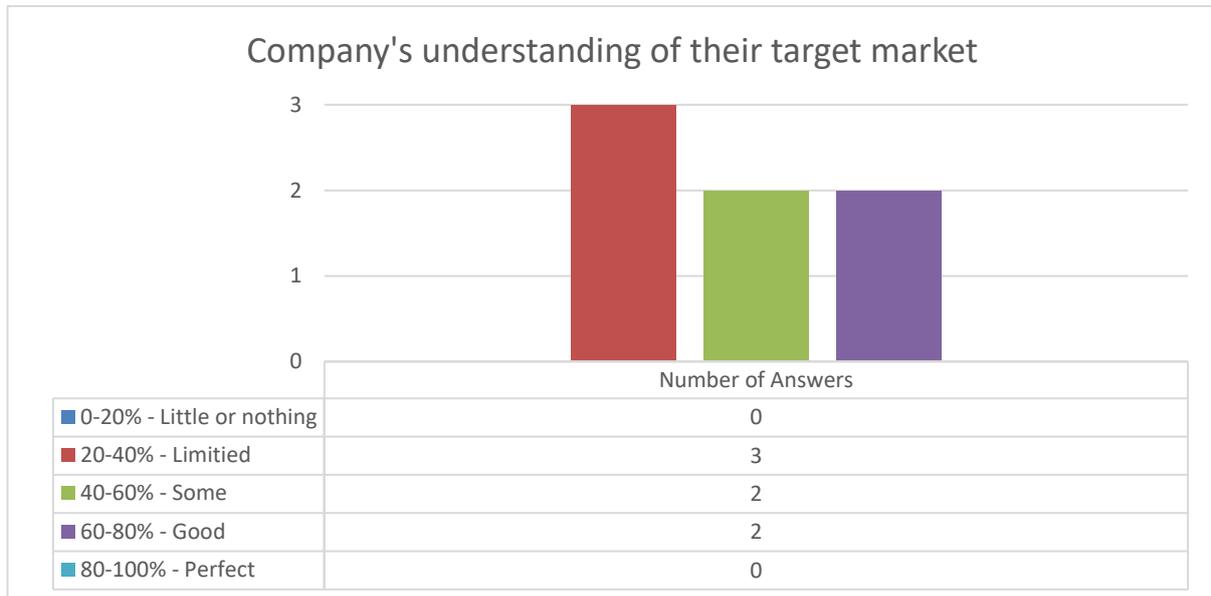


Chart 9: Company's understanding of their target market results from the surveying of experts, showing that the majority of experts thought that companies had limited understanding (20-40%).

- Survey Question 10: What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?

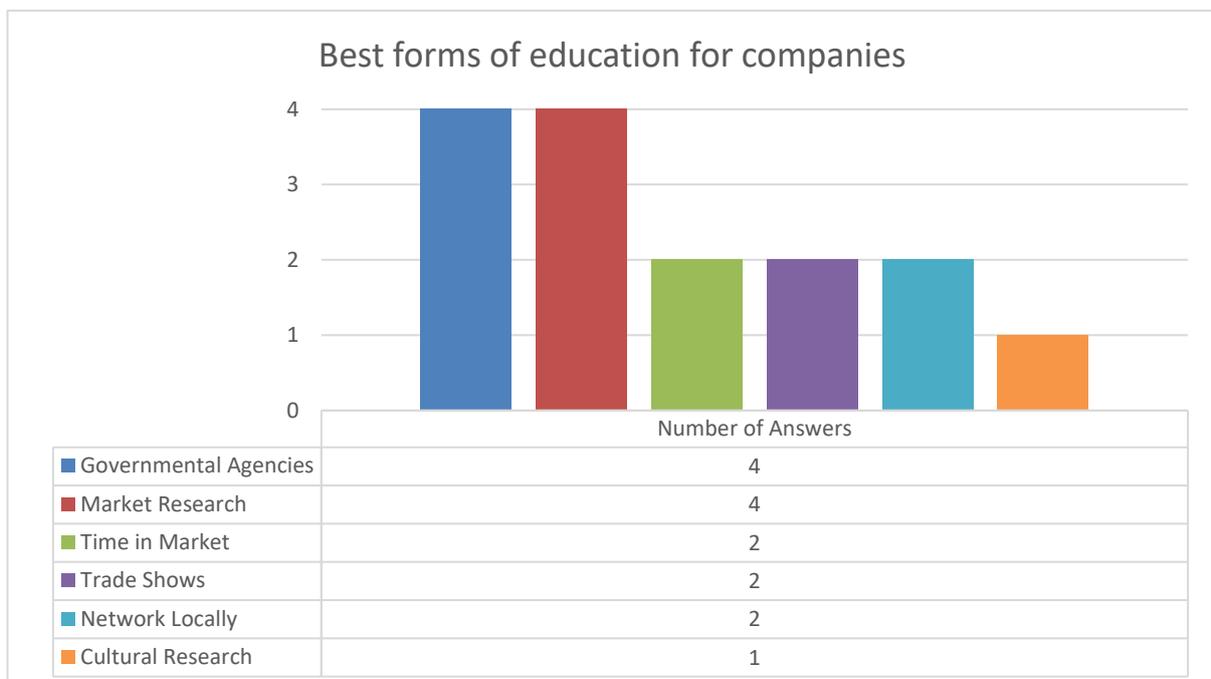


Chart 10: Best forms of education for companies results from the surveying of experts, showing that governmental agencies and market research were the top ways to educate themselves.

4.4.4. Venn Diagram

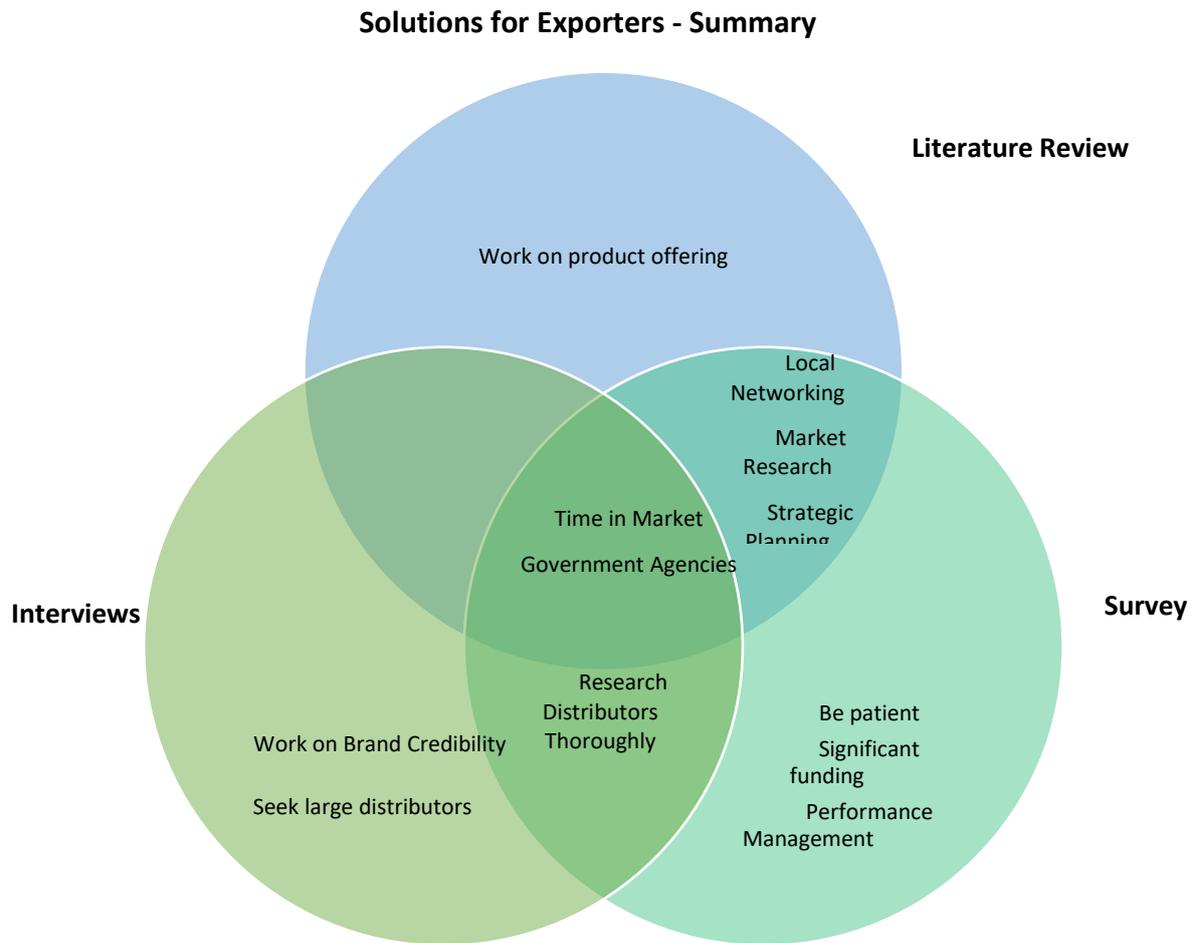


Figure 9: 'Solutions for exporters' combined results from the all research methods, showing that time in market and governmental agencies were the major solutions to exporting challenges.

4.5. Final 'Cheat Sheet' Guide

Top challenges facing exporters

- **Partners & Channels:** Finding high quality distributors.
- **Competition in market:** Competition in international markets is very high.
- **Distance to market:** Physical distance and time zones create communication and management challenges.
- **Supply chain:** Stock balancing and product sourcing.
- **Others:** Brand Awareness & Local Regulations.

Finding quality distributors

- **Current market network:** Partners should have their own comprehensive, local market network and presence.
- **Passionate about your product:** Distributors should believe in your product and be genuinely passionate about it.
- **Financial stability:** Partners should be able to invest in stock and their operations without restrictions.
- **Cultural fit:** Partners should fit well into the company's culture to increase trust and a good relationship.

Distribution strategies

- **In-direct B2B:** Majority of sales to dealers/distributors as it allows faster growth of sales and market presence.

- **Brand reputation over volume:** Protect brand value by selecting quality distributors over sales volume potential.
- **Product portfolio:** Grow portfolio to provide a balance of quality and quantity in the brand's offerings.

Solutions for Exporters

A. Strategy & Planning:

- **Strategic planning:** Supply chain, value analysis, thorough SWOT.
- **Governmental agencies:** Utilise NZTE for education, experience and foreign market expertise.

B. Networking:

- **Time in market:** Going there, networking and talking to people is exponentially more valuable than desk-top research.
- **Local networking:** Talk to other businesses in New Zealand who have done it before.

C. Sales & Marketing:

- **Market research:** "If you assume, you're wrong." Do your research properly and thoroughly.
- **Research distributors thoroughly:** Spend time finding the right fit and don't rush the process.

D. Product Offering:

- **Customer led:** Supply the demand through meticulous market research.

5. Discussion

5.1. Analysis of the major findings

From all three research methods, on all four of our subjects, we were able to express the most important key pieces of information onto a single page (4.5) in the form of a 'cheat sheet'. This final page of information has the intended use of giving a brief, simple and practical resource to companies from all industries and of all sizes as a reference for establishing their international distribution channels. This page (4.5) is the amalgamation of all the results that were gathered from the literature study, interviews and survey. It would be a good exercise to look back at some of the key indicators of the results within the literature study so see the similarities and contrasts with our summary.

(Sim, Bull, & Mok) provide us with the three biggest challenges faced by New Zealand exporters in their publication (Exporting challenges and responses of New Zealand firms, 2021) (2.1.) These were listed in order as: Brand awareness; Partners and channels; Competition. We can compare these to our top challenges of: Partners and channels; Competition in market; Distance to market; Supply chain.

Comparing these two lists side-by-side, we can see that there are some significant similarities, with two of the three top challenges from (Sim, Bull, & Mok, 2021) being included in the top challenges found in our study. However, 'brand awareness' is mentioned as the top challenge in (Exporting challenges and responses of New Zealand firms, 2021), but not even on the list in our study. Furthermore, the addition of 'distance to market' and 'supply chain' were part of the top challenges from our research. When looking back at the original study, we find that 'supply chain' is ranked as the 10th biggest challenge facing New Zealand exporters and 'distance to market' is not even on the list. This could be due to the fact that the distance to market is actually embedded in most of these challenges and is merely an aspect of these challenges which increases the difficulty.

The subjects of 'finding quality distributors' and 'distribution strategies' provide us with some good practical learnings from two of the major topics within the subject of distribution. However, the most important subject that should be examined with greater detail is the 'Solutions for exporters', as this is where the answers lie to many of the challenges found earlier.

From the same document as mentioned above, (Sim, Bull, & Mok, 2021) provide us with some of the most common solutions to the challenges faced by New Zealand exporters (2.4.). Within this document (Exporting challenges and responses of New Zealand firms, 2021), the top solutions were listed as: Networking; Distribution partners; Strategic planning.

The results from our study revealed an array of various solutions to these challenges that were agreed upon by at least two of the three research tools, respectively. These included seven different key points, that were summarized into four different categories. These include: Strategy & planning; Networking; Sales & Marketing; Product offering. Comparing our findings with the findings of (Sim, Bull, & Mok, 2021), we can see that two of the three top solutions are actually part of the category titles, with reference to networking and strategy. Furthermore, when we look at the results from our study, the 'finding' of distribution partners can be found within the 'networking' and 'sales and marketing' themes. In contrast, we can see there is no mention of anything to do with the 'product offering' within the top solutions from (Sim, Bull, & Mok, 2021), and there is almost no mention of being 'customer led' at all. However, 'marketing intelligence' is ranked as 4th and 'marketing' is ranked as 6th.

There were two major aspects of this study that were not fairly represented in the Data Analysis (section 4), that deserve some attention in this section. The first of these two topics can be seen in question 5 of the survey (4.2.3) and question 5 of the interview (4.2.2), which relates to "how effective are in-direct distribution channels at conveying a high value product's value?" This question was placed in both the survey and the interviews to try and gain some perspective into the expert's opinion of whether or not distributors are doing a good job. This stems from the fact that in the form of a margin, suppliers are paying the distributors to sell their products on their behalf, and the success of this in the short term and the long term depends heavily on how well they convey the products value. This is particularly important with high value products, because if the customer is not aware of the value propositions that are being provided by the specific product, then why would they pay the premium price for it?

When the interviewees were asked this question, it was difficult to get a straight answer (4.2.2). This is mainly due to that it is difficult to answer a very complicated and multi-layered

question like this. Answers were mainly focused on how committed and motivated the distributor was. Furthermore, the emphasis on trust between the distributor and the supplier was highlighted as being another factor to how well they represented the product. However, in the survey we were able to get some more concrete results as the only way to answer was through multiple choice questions (4.2.3). From the survey results, we can see that there are two main schools of thought – one group of the survey respondents think that distributors do a below average job (Acceptable: 40-60%), while the other (slightly larger) group thinks they do an above average job (Very good: 60-70%). When looking at the percentage values (although it is difficult to put a numeric value on a simple word), we can see an average value of 52.5%, which would be in the lower half of the 'Good: 50-60%' option.

Based on this data, it is safe to say that there is a wide range of opinions regarding the performance of international distributors – some exporters think they do a good job at conveying this perceived value and others think not so. With this in mind, we can look back to the interviews and read into some of the answers provided for guidance. Key points were surrounding motivation, commitment, their current relationships with customers (i.e. their reputation). Therefore, this links back to one of the major challenges of exporting and one of the top solutions for exporters. If a good distributor is found, who has a great relationship with a rich array of retailers, who is motivated and passionate about your product, there will be a higher chance of them conveying the perceived value of your product.

The second aspect of this study that was not fairly represented in the 'Data Analysis (section 4), comes from question 9 in the survey (4.4.3) and question 12 in the interviews (4.4.2). These questions relate to, "what extent of comprehension do you think companies understand their target market before they establish these distribution channels?" This question was carefully worded to try and understand the opinion of the experts about how good they think New Zealand companies are at market research. From both the interviews and the survey, the results told a very clear message – "New Zealand companies suck at sales and marketing." Other opinions went on to say, "Some people do it really well and some people don't do it." Furthermore, the survey showed a very clear opinion on this topic as seen in Chart 9 (4.4.3). This shows that the most chosen answer was that New Zealand companies had a 'limited – 20-40%' comprehension of their target market before going to international distribution. This is a very clear voice saying that New Zealand companies are

lacking severely in market research and that is something that companies need to invest in more before investing large parts of capital into distribution internationally when they do not even have a 'good' understanding of their target market.

5.2. High value products and the establishment phase

In our research, especially in the literature study, it was very easy to draw conclusions about other topics that did not exactly meet the specifications required for our particular topic. There was a lot of information regarding standard exportation, which mostly involves B2B, but there was little mention of particularly the establishment phase of this international distribution, nor the distribution of high value products in particular.

The 'establishment' aspect of the research topic was aimed towards companies that were just beginning their international distribution, rather than expanding it or maintaining the operation. It was made clear in section 4.3 that the maturity of the company had a large impact on the distribution strategies. Furthermore, the solutions to these exporting challenges were dependant on how mature the company was in their international distribution. These were aspects to keep in mind in several of the resources in the literature study, and the interviews provided good insight into this issue.

The establishment of these distribution channels is the defining period for a lot of companies in New Zealand as they quickly run out of market depth in their market to sustain the desired growth they are looking for. Therefore, to balance out the large number of resources talking about simply 'exporting' rather than the 'establishment' phase, the topics of 'Finding Distributors' and 'Distribution Strategies' were included to help answer some of the questions faced in this period that were not answered in some of the major literature resources.

There was little information to be found about why companies failed in this establishment phase of international distribution, hence a question in the interview and the survey was asked to try to better understand this. In Chart 2 (4.1.3) from the survey, we can see that the two most common reasons for companies to fail during this establishment phase is due to 'Lack of/Poor HR' and 'Poor distributors'. Furthermore, in the interviews (4.1.2), the key piece of information was that companies cannot have false hope in thinking that, "distributors are an internal member of your company in market for you." There is a common theme here

regarding the distributors, which makes sense as this is your direct business partner, and if this partner is not performing then this sales effort will not be effective. However, the aspect of HR was not expected as this issue has not been encountered in any other form of research for this study. When we find the origins of this information (Appendix 4, Q2), we can see that this data stems from the recruitment and performance of staff. This issue goes back to the idea of having internal staff members in the target market, providing efficient feedback to the company as well as support to the distributors. This links well back to the other piece of information provided by the interviews that explained that companies cannot treat distributors as internal members in the market on your behalf. Therefore, the hiring and performance of staff in the target market to provide that link between the in-market distributors and the supplier is critical.

The other aspect of this study that was challenging to understand was the 'high value' aspect of the topic. This aspect of our research topic came from the tendency for New Zealand companies to export higher valued items in niche markets. Furthermore, with my recent experience of working with Manta5 who sells a luxury item, it was an addition to the research topic that had a lot of relevance and potential to be explored. It was difficult to find much information on 'high value' items in the literature study, and instead the luxury industry was researched to get some insight into how their strategies had developed. This was a large step as it provided a lot of information about direct, exclusive distribution of the form that some of the most luxurious and well-know brands in the world distribute their products. However, after the interviews and surveys, these distribution strategies were quickly dismissed as being reserved for only brands that already have a large market presence and are very mature in their company growth cycle.

Some valuable information was gained about how the international distribution of high value products differed from that of normal products in the interviews and the survey. From the interviews, the major findings were that issues with products were more expensive and that distributors didn't want to hold as much stock, creating bigger strain on the supply chain. The survey results showed a very wide range of differences in the distribution strategy, including having the right distributors, better marketing, higher competition and greater cashflow required.

Overall, distributing a higher value product internationally needs significant effort put into all of the four themes in the 'Solutions for exporters' section of the cheat sheet (4.5). There needs to be better planning in the form of supply chain and value analysis, a better understanding of the market through effective networking, a better understanding of the demand through effective market research, and a better product offering for the customer. Although this sounds like a lot more work, the rewards are in the lower numbers of sales that are required to generate a healthy profit and stable business that can operate in New Zealand effectively.

5.3. What can be learned?

Each of the themes listed in the 'Solutions for Exporters' of the final summery 'cheat sheet' (4.5) have lessons that can be learned from all types of exporters. As with the title of this study, these lessons are not just for New Zealand companies, and I am sure that many of these lessons can be universal for companies that fit within the description of this topic. New Zealand is particular in the fact that it's a small island in the middle of the pacific with a connection to Europe and North America, but with little knowledge of their actual respective cultures. There is a naive ignorance that is quickly exposed when New Zealand businesses go overseas thinking that they can easily convert their local thriving operations into a multi-national operation. This is observed all around the world and has been an evolution in the form of what is know as internationalization. Although these challenges may seem dire, the opportunity of the much larger international markets may be worth the risk and investment for some companies if they are willing to do their research. So, after having completed our research, what can we learn?

Stemming from the most elementary theories of economics, we must look towards supply and demand to make our first learning point. This can be observed in the 'Product Offering' theme in our cheat sheet, with the advice of ensuring that the product you are trying to sell is in fact customer driven. If you are in a position to be establishing international distribution channels, then it could be assumed that the product already has some success in the local market to gain the resources required to even start thinking about this international step. In this case, there needs to be significant market research undertaken to ensure that the current

product will also have a sufficient customer demand in the target markets. Otherwise, how can that product be adapted to the target markets? For truly 'Born Global' companies, the very design of the product should come from this market research.

This leads us nicely onto the following key learning of 'Networking'. There are two aspects to networking; local networking (which we will mention later in this section) and customer networking. Customer networking cannot be over-stated enough as being extremely important. The number one recurring piece of advice from all methods of research in this study was that companies should be going to market and talking to customers. What do my customers want? What do they value? What do they not value? What is the local competition? You wouldn't buy clothes for your wife without knowing the right size, because in the slim chance that she will like what you bought, it will probably be the wrong size. So why do companies try to sell products to markets they don't even know? Even if they find there is a demand for that product, they don't know what aspects of that product create the most value for the customer. But if you know their 'size', and better yet, you know what 'colour', 'style' and 'material' they prefer, there is a much higher chance of you not failing.

To put this into some practical learnings, New Zealand companies need to focus more on sales and marketing. As Mark from Manta5 mentioned, New Zealand companies are great innovators, but not very good at commercialization and selling themselves. A company can develop the greatest product in the world, but if no one knows about it or there is no demand for it, then it will have no value. Therefore, basic marketing theories such as the Four P's (Product, Place, Price, Promotion) and a basic SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) need to be at the front of the mind when many companies are investing in new products with the intention of international distribution.

The final major learning point that we can take from this study is the value of networking locally. This can be done through your local exporting association, NZTE or by talking to local companies and contacts who have taken their company internationally. There is so much information out there, but you have to be willing to reach out and ask for it. I think that this issue stems from a very deep, cultural stigma within New Zealand of people being too proud to ask out for help. This can be seen in mental health statistics in New Zealand, but that is another topic for another study. However, a key learning we can take away with us is that companies looking to take their products overseas should swallow their pride and reach out

to their network for advice. There is no pride gained in trying to go internationally yourself and failing because you were too proud to ask for help. People are usually more than happy to give some advice to a local company, so invite them out for a coffee or dinner and ask questions.

5.4. Limitations of study

The limitations of this study originate from two main sources: the sample size of the number of interviewees and survey answers, as well as the method of processing the results.

The number of interviewees was limited by the time restraints put on this study and the resources available to process the information gathered. There was meant to be an extra interviewee which would have created a well-rounded set of opinions; however, this was not possible as explained in section 3.2. The number of survey answers was disappointing from a research perspective, as surveying is a tool where statistics can draw some strong conclusions, on which increases the credibility of a study. This survey was a challenge as finding people who were qualified to answer the survey involved finding companies in New Zealand that fit the description of the topic and persuading them to answer the survey. This proved to be difficult and only a small number of people responded. The low number of survey answers and interviewees is the major limitation for this study as with more results, more concrete conclusions could be drawn.

The second major limitation of this study was the method in which the information was processed. With a topic as multi-layered and complex as this, it was a challenge to construct an appropriate and repeatable method to processing the data while trying to understand the topic and data as it was being gathered. Therefore, in many situations, answers from survey results and interviews had to be categorised into different answers to see recurring themes that could be then highlighted. Although this helped us to see the bigger picture more clearly, there was some specificity and granularity to some of the answers that was lost in doing so.

5.5. Recommendations

For future research on this topic, I would recommend firstly that the limitations of this study (5.4) be addressed. This includes carefully looking at the methodology and improving the detail and categorisation of information once gathered. Once a method of gathering large volumes of information on these topics are able to be processed in an effective way that limits the loss of ambiguity, the number of interviewees and survey answers can be scaled up for increased accuracy. This would allow more credible conclusions to be drawn and more emphasis could be put on these answers when generating recommendations.

Further studies could also expand on the 'cheat sheet' provided in 4.5. This could be expanded to give more practical steps towards overcoming some of the challenges and more detail in the solutions to the challenges. Furthermore, one of the difficulties encountered in this study was trying to tailor the results to an array of different size companies, in different industries and at different stages in the company's maturity. As some companies are defined as 'Born Globals' and some companies don't internationalize until they have reached maturity, there are a wide range of resources available to the different companies who are encountering these challenges. Therefore, some aspects of these solutions can be segmented up into some various categories. For example; the start-up, the SME & the larger company.

A deeper dive into the literature could also be beneficial as there is a lot of information that discusses internationalization. When researching this topic, internationalization was referred to a lot and has been a focus of the Nordic countries when venturing overseas with their business. The Uppsala model is an example of this, where the Swedish university established a theoretical model for international expansion of its companies. There are a few other models that are similar which could be studied further and implemented in the final guide.

6. Conclusion

The objective of this study was to create a simple and applicable guide to help companies achieve their goals in establishing international B2B distribution channels for their high value products. This subject was adopted as I had first-hand experience working within the European-based sales and marketing team at Manta5, selling their XE-1 Hydrofoiler. This study was approached from three angles, with significant research being undertaken into available literature, interviews with experts, and a survey of experts.

After a structured methodology to amalgamate all the information and data gained from these research methods, a simple one-page guide 'cheat sheet' was created. This cheat sheet has the intention of being able to summarise and effectively communicate the key pieces of information concluded from this study into a simple one-page. This is something that can be easily referred to by companies of all sizes and industries who manufacture and sell internationally their high value products.

The key conclusions from this study were:

- Four key areas within your business need to be focussed on:
 - Strategy & Planning
 - Networking
 - Sales & Marketing
 - Product Offering
- Go to market and talk to people – this is the best way to understand the market.
- Be patient finding the right distributors who align with your business culture and are passionate about your product.
- Get advice from your local network of companies and governmental agencies.
- Understanding and implement fundamental marketing tools for understanding the market and targeting your customers effectively.

In conclusion, this study, "What we can learn from New Zealand exporters?", provided some informative guides to the challenges and solutions of international distribution of high value products. I hope that this study will provide companies with value in the establishment phase of their international ventures; to whom I wish health and success.

Henry Wills

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Glossary

Acronyms

- BDM: Business Development Manager.
- B2B: Business-to-Business.
- CRM: Customer Relationship Management.
- INV: International New Ventures.
- NZTE: New Zealand Trade & Enterprise.
- SME: Small & Medium-sized Enterprises.

Terminology

- Born Global: Companies who focus globally from their beginning and commit their resources to the international market.
- Direct distribution: Distribution via sales directly to the customer through internal channels.
- Distribution channels: Various methods of getting the product to the customer.
- High value products: Products whose value is above average within their product category.
- In-Direct distribution: Distribution via sales through a third-party member (e.g. distributor).
- Research tool: A tool or method that is used to undertake research.
- XE-1: The model name of Manta5's first generation hydrofoiling bicycle.

- Company: A business organization that makes money by producing or selling goods or services.
- Dealer: A person whose business is buying and selling a particular product.
- Distributor: A person or company that supplies goods to shops, etc.
- Distribution: The system of transporting and delivering a product.
- Establishment: The act of starting or creating something that is meant to last for a long time.
- Export: The selling and transporting of goods to another country.
- Industry: The people and activities involved in producing a particular thing, or in providing a particular service.
- Luxury: A thing that is expensive and pleasant but not essential.
- Manufacturing: The business or industry of producing goods in large quantities in factories, etc.
- Margin: The difference between the cost of buying or producing something and the price that it is sold for.
- Network: A closely connected group of people, companies, etc. that exchange information, etc.
- Niche: A small section of the market for a particular kind of product or service.
- Product: A thing that is grown, produced or created, usually for sale.
- Stakeholders: A person or company that is involved in a particular organization, project, system, etc., especially because they have invested money in it.
- Value: How much something is worth in money or other goods for which it can be exchanged.

Official Definitions:

(<https://www.oxfordlearnersdictionaries.com/>)

Official Definitions

- Capital: Wealth or property that is owned by a business or a person and can be invested or used to start a business.

Appendices

Appendix 1:

PART 1

A. **1. What are the top 3 challenges facing companies looking to establish international distribution channels?**

B. **2. What do you believe is the top reason for why some companies fail when establishing their distribution channels?**

C. **3. What are the added challenges of international distribution of high value products?**

D. **4. What are the top 3 characteristics you look for in an international distribution partner?**

E. **5. In general, how effective are indirect distribution channels at conveying a high value product's value?**

- 0-20% - Terrible
- 20-40% - Poor
- 40-50% - Acceptable
- 50-60% - Good
- 60-70% - Very good
- 70-80% - Great
- 80-100% - Excellent

PART 2

F. **6.** *(If applicable) For your product, what distribution strategy is being implemented and why?*

G. **7.** *For high value products, how do you find the balance between distribution channels that retain your product's perceived value vs distribution channels that can provide high volume sales?*

H. **8.** *What are your top pieces of advice to companies looking to establish international distribution channels?*

I. **9.** *To what extent of comprehension do you think companies understand their target market before they establish these distribution channels?*

- 0-20% - Have no or little understanding of the market.
- 20-40% - Have a limited understanding of the market.
- 40-60% - Have some understanding of the market.
- 60-80% - Have a good understanding of the market.
- 80-100% - Have a great or perfect understanding of the market.

J. **10.** *What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?*

Appendix 2:

Interview with Mark – CEO Manta5:

Challenges of Exporting

Q1: What are the top 3 challenges facing companies looking to establish international distribution channels?

A1:

- “What does life look like in 2021?” Changing a lot every year “Operating in a completely and utterly different world to traditionally, where we have been around export and trading internationally.”
- 1. Currently “Supply Chain” – driver: huge demand for high value products – only dominant players in marketplace getting supply. Can’t see that changing until tourism picks up again.
- A lot of materials come from China, geo-political stability is an issue with long term supply chain security.
- Cost of manufacturing in NZ is 2-5x as much as in China and time to deliver would increase significant.
- 2. Traditionally, getting brand value. “Typical companies don’t create demand of the product before creating the product.”
- 3. Logistics – ocean freight has gone up 700% since last year.
- Inability to adapt to rapid change.

Q2: What do you believe is the top reason for why some companies fail when establishing their distribution channels?

A2:

- “You’ve got to be the top product in the product catalogue.” “You can’t rely on the product itself; you have to be easy to do business with.”

Q3: What are the added challenges of international distribution of high value products?

A3:

- “Getting it wrong with the customer costs a lot of money.” – recalls, issues, etc. are expensive
- “Supplying samples comes at a high cost.”
- “If it’s too cheap, people don’t value it.”
- “It’s somehow easier to build a bigger, better brand on a more expensive product.”

Finding distributors

Q4: What are the top 3 characteristics you look for in an international distribution partner?

A4:

- “Brand alignment.”
- “It’s a lot easier to do business with people who share those values and combined your brand story and are aligned, rather than someone who is just simply out to make a dollar.”
- Do they have the credibility to represent your brand? Do they have the money and the backing to be able to take it to market? How serious are they about it? Are they just simply making an inquiry to buy cheap stuff off you so they can get some samples for them and their mates?
- A lot of trust and those soft elements are just as important.
- “You’re investing your time and energy with them and sacrificing not working with somebody else, so there’s an opportunity cost there.”

Q5: To what extent are indirect distribution channels effective at conveying the value of a high value product?

A5:

- “I think in an utopia world, we would all have direct channels, but there is an effective deployment of invested capital as to how you grow your business in the quickest possible way.”
- The choice of indirect vs direct often comes down to the specific market, budget and leveraging off existing relationships of that distributor.”
- “If you can sell your product to someone who is already owning the customer, that’s really good.”
- If you go direct, you have to start all create all the customer relationships from scratch.
- “It depends on how committed they are.”
- Also depends on how many other products and how many of them they sell.
- There is always going to be a dilution of the products told value, even internally.
- “You are trading that (the dilution of the products perceived value) for mass.”
- Story of bacon and eggs – “The chicken is involved, but the pig is committed.” The pig is your brand, you have everything on the line, but the chicken can lay heaps of eggs, if one’s rotten, you just move on to the next one.
- “It comes down to motivation.” “When you’re trying to get a distributor, what are you going to give them? Do you just want sales? What value are giving them?”
- “It comes down to motivating, aligning, and making that adoption of your brand so powerful that they want to do it, that people want to be part of it.”
- “Getting people to commit to your products comes down to a person relationship.” “Building trust and respect will make them go harder for you.”

Q6: How much emphasis should companies be putting on establishing direct exclusive distribution channels for their high value products in foreign markets?

A6:

- “Depends on how much money you’re got and how long you can prove a return on investment.”

- "Very expensive way, can get lots of margin but you have a lot bigger debt."
- Only do it once you have established your brand and got enough market presence – it's a brave move to do it exclusive and direct – requires a lot of money and very risky.

Distribution strategies

Q7: For your product, what distribution strategy is being implemented and why?

A7:

- "Originally started with a D2C model, we chose to change it to B2B to get a faster return on deployed capital." "How do we get market share quicker?"
- "Chose that model around for the finite amount of money we have got, how do we make the biggest splash in the world?"

Q8: What aspects of your distribution strategy are the most heavily influenced by the high value of your product?

A8:

- "It changes the type of distributors and resellers that we sign up."
- "The novelty of the product has a lot to do with how much your customers will put up with, and how innovate it is."
- "It's a combination of the price point and what part of the adoption cycle are you in around your product category."

Q9: Is your distribution strategy similar in your local market? If no, what are these differences?

A9:

- "In our local market we put very little effort in, because the sales are inconsequential to our business." "We are selling out of a very small market, into a ginormous market."
- "We could have sold direct into the New Zealand market, but I did not want any of our sales and marketing team distracted on making one or two sales to the guy down the end of the street."
- Wanted to keep the team focussed on the bigger fish in the bigger markets.
- "Our local market is not big enough to sustain our business."

Q10: For high value products, how do you find the balance between distribution channels that retain your product's perceived value vs distribution channels that can provide high sales volumes?

A10:

- "Ultimately, it becomes a business prioritization."
- It depends on your maturity and where you are in the development cycle of your company.
- "You need the cash. High growth companies, and high values ones, in particular, are expensive."
- "What you are raising is almost a moral dilemma."

- “You need the money to drive change in your business and move onto the next thing, it’s a very difficult decision.”
- “It comes down to the net value of the total profit of the sales done.”
- “You build brand value with your premium product and your premium brand, and a lot of people are buying to be associated with that brand.”
- Ideally, “develop a mid-range product that will give scale and volume.”
- Have your high value product that generates brand value and then make money off a lower priced product that leverages the brand value.
- The good thing with high value products is that you don’t have to sell that many to make a good business.
- To make your company better, expanding out to other products to get a larger market share doesn’t have to be at the expense of the premium product and the premium brand.
- “As soon as you can, you want to get a portfolio. The sooner you end up with multiple revenue streams, multiple markets, you de-risk your business.”

Solutions for distributors

Q11: What is your top piece of advice to companies looking to establish international distribution channels?

A11:

- “You want to chase big fish, but you’ve got to build up enough brand credibility to get going – so you need some early adopters to get some presence, and then you need to chase some big fish.”
- “When you’re starting out, you’ve only got a small number of people, so they need to be spending their time (efficiently).”
- Careful to establish yourself first, because you can easily dig a big hole for yourself and they (big fish) can gobble you up.
- “Overall, build some credibility in the brand, get some good market exposure, and then as soon as you can hunt a couple of big fish down.”

Q12: To what extent of comprehension do you think companies fully understand their target market before they establish these distribution channels?

A12:

- “Depends on whether you’ve got a new product in a new category or not.”
- “My overall statement is, ‘New Zealand companies suck at sales and marketing’, we’re great innovators.”
- “That (innovation and research) is not the failing in the New Zealand industry - number one is sales and marketing.”

- “How do you create a draw for your product, and an interest in your product, way ahead of actually having your product?”
- “That (the way Manta5 has been able to market their product) is how you do it, but that very rare in New Zealand, especially in B2B companies in New Zealand.”
- “For a nation full of innovators and creators, we are not people who are great at commercialisation – and commercialisation comes down from really smart marketing, going out and talking to customers, adapting fast on the fly, but not over-engineering something before taking it to market.”
- “A lot of New Zealand companies would spend another million dollars on R&D rather than spending another million dollars on sales and marketing, and that’s the difference.”
- Product Development, Production & Manufacturing and Sales & Marketing are a three-legged stool – balance.

Q13: What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?

A13:

- “Spend time in the market.”
- “Big companies love getting involved in niche products because corporate life is boring.”
- “Get on the phone, talk to people, go visit people, take them out to dinner.”

Appendix 3:

Interview with ANONYMOUS – Managing Director Europe at ANONYMOUS:

Challenges of Exporting

Q1: What are the top 3 challenges facing companies looking to establish international distribution channels?

A1:

- “It’s majorly different in the pandemic compared to before.”
- 1: “Distance to market”
- “It’s hard to understand what the market is looking for and build trust with the distributor.”
- 2: “Supply chain”
- Challenge stocking due to long shipping times – hard to get stock balance right when not knowing amount of stock they will want.
- 3: “Finding the right fit”
- “It’s not easy to find a distribution partner that fits with your business.”

Q2: What do you believe is the top reason for why some companies fail when establishing their distribution channels?

A2:

- False-hope of thinking that your distributor is someone internal in the market for you – exactly opposite.
- Distributor is not someone internal and you need to have people on the ground working with and managing the distribution relationship.

Q3: What are the added challenges of international distribution of high value products?

A3:

- Part of the high value pricing comes from the fact that you are international and additional costs of shipping, etc. to get your product in that market.
- Stocking is more difficult because it’s expensive and distributors don’t want to hold stock.

Finding distributors

Q4: What are the top 3 characteristics you look for in an international distribution partner?

A4:

- “Three is not enough”
- 1: “Cultural fit with the business!!!”
- Able to have a personal relationship so don’t need to be always referencing a contract.
- 2: “Belief in product”
- A lot of distributors with many products and just want it in their portfolio but aren’t actually pushing your product.
- 3: “Retailer relationship”

- May have 3000 retailers but how many do you have active relationships with and making money?
- Some smaller distributors have bigger turnovers than larger ones because they have better relationships with their retailers.

Q5: To what extent are indirect distribution channels effective at conveying the value of a high value product?

A5:

- “It comes back to retailers having faith in the distributor.”
- The relationship between the distributor and the retailer is really important because the retailers don’t know you, they just know your brand.
- The trust is key because if your product is crap then the distributor will sort out the issue for the retailer.

Q6: How much emphasis should companies be putting on establishing direct exclusive distribution channels for their high value products in foreign markets?

A6:

- “It all comes down to your business strategy – it depends on what you are doing.”
- The emphasis might come when you’ve got an established name in market.

Distribution strategies

Q7: For your product, what distribution strategy is being implemented and why?

A7:

- Distributors in market because us to grow into these markets without throwing serious investment behind it.
- If we went in alone, we would need significant resources in market.
- Do a little bit of direct to retailers in smaller markets like Switzerland because its small enough to manage, but for larger markets it’s better to have a distribution partner.

Q8: What aspects of your distribution strategy are the most heavily influenced by the high value of your product?

A8:

- Have thought about E-commerce, but not feasible for a ‘click and deliver’ for a product like ours at the current price.
- “We need our brand to get coverage in market and we need to develop trust and you do that all the way to the end consumer via a distributor.”
- The majority of our market always goes to the same retailer for their ANONYMOUS products – they service the products there and the consumer trusts the retailer; who in turn trusts the distributor; who trusts us. It’s a chain.
- It’s an emphasis on trust through the supply chain due to the high value of the product, because that end customer needs a high level of trust due to the high value of the product.

Q10: For high value products, how do you find the balance between distribution channels that retain your product’s perceived value vs distribution channels that can provide high sales volumes?

A10:

- “We do significant analysis on each distributor in each market, so no matter what market we go into, we know every player. We know what their turnover is, we know what brands they’ve got, we know what retailers they’ve got, we know their relationships, we know their reputation.”
- We do a lot of research before even reaching out to a distributor.
- “Ultimately, it would come down to the direction that the distributor is going to take.”
- You may risk being the ‘fashionable’ product in the short term if you go with a larger distributor compared to a smaller distributor who will be more consistent and grow sales over time.
- “It’s hard to find the balance and it depends on what you want to do as a business.”
- When distributors are smaller you can easily contact them, work closely with them on marketing and grow with them as a company. With larger distributors, it’s harder to get in contact with them and they pay less attention to you. Sometimes, they can get too big and they have no interest in your brand or product.
- It’s easier to grow sales with a smaller distributor than it is to fix a bad brand reputation.

Solutions for distributors

Q11: What is your top piece of advice to companies looking to establish international distribution channels?

A11:

- “Do your research!” “Don’t be like a cat chasing a laser.”
- Don’t be afraid to reach out to NZTE for market research.
- Do all the work upfront on finding the RIGHT partner.
- Desktop research will save you a lot of time in the long run.
- Utilise the people around you and your network.

Q12: To what extent of comprehension do you think companies fully understand their target market before they establish these distribution channels?

A12:

- “Some people do it really well and some people don’t do it.”
- “If you’re assuming, you’re wrong!”
- “Understanding a target market is so different, especially for a kiwi (New Zealand) business.”
- “We sit in New Zealand and things are amazing, we’ve got sales bubbling, everything is great, and we’re just going to go and sell it here too - nah.”
- There is so much diversity internationally that it’s hard to understand.
- “It’s quite easy to fall into the trap of thinking that it will be the same as in New Zealand – it won’t.”
- “When we (New Zealand companies) do it (thorough international market research) we’re fantastic at it.”
- There is a tonne of kiwi businesses operating in Europe successfully and we learn from each other’s mistakes.

- “Understanding the target is key, not only for sales but for getting a distributor as well.”
- If you haven’t done your market research, distributors won’t trust that you’re fully committed.

Q13: What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?

A13:

- “Go to market!”
- You can work with marketing agencies, NZTE, etc. at a statistic level but not the same as on-the-ground going to see people.
- “You understand your target market by talking to people.”
- “Talk to everyone. What do they want? What do they not want?”

Appendix 4:

Survey Results (letters indicate the individual survey responses):

Challenges of Exporting

Q1: What are the top 3 challenges facing companies looking to establish international distribution channels?

A1:

- a. Knowledge of local regulations, networking, appropriate internal staffing to deliver.
- b. Language, culture, and local laws/regulations.
- c. Finding the right local partners and building these relationships, if setting up your own company there is a lot to learn regarding doing business and in a foreign territory. Currently shipping costs and reliability of shipping lines to product into the market.
- d. Margin protection, delays in transport, loss of control.
- e. 1. Distributor consolidation in key markets - particularly US. 2. Internal country of origin brand competition within distributor portfolios. 3. Getting attention from distributors if you are a smaller company.
- f. Recruitment, Remote management, Tariffs & duties.
- g. Corporate structure and cash flows, hiring in-market talent, effectively supporting distributors

Q2: What do you believe is the top reason for why some companies fail when establishing their distribution channels?

A2:

- a. Lack of internal staffing and reluctance to request for assistance.
- b. Proper vetting of overseas partners.
- c. Appointing the right distributor and investing in supporting them in the start up phase.
- d. Do not understand all the costs and timing of cash flow associated with export channels.
- e. Lack of clear communication of strategy and goals. From both sides.
- f. Recruitment and performance of staff.
- g. Several NZ companies fail to enter comprehensive formal agreements with distributors, and fail to efficiently support them with marketing spend, material etc.

Q3: What are the added challenges of international distribution of high value products?

A3:

- a. Capacity to find high skilled distributors/agents, necessity to onboard these ones properly, distance in case of regular support (live training, maintenance, spares, etc.).
- b. Correctly gauging market opportunity and proposition.
- c. Getting customer buy in as international markets are diverse and most countries the buyers are price sensitive with a few that are not.
- d. Cash Flow delays.

- e. Competing with bigger advertising & promotional budgets of prestigious high-profile brands. High value may also add non traditional competitors. E.g. expensive wine might start competing against sprits in terms of value for money.
- f. Performance management. Protection of client base & IP.
- g. When its a first in class product e.g. Manta5, it can be difficult to find distributors that are willing to commit to buying large volumes per annum - especially early on.

Finding distributors

Q4: What is the top 3 characteristics you look for in an international distribution partner?

A4:

- a. Achievements, staffing and structure, skills and other representations.
- b. Established market presence, complimentary product catalogue, financial/operational stability.
- c. 1)Business maturity in our industry 2) Fit in regards to the way we do & why we do business 3) Quality and high performing Sales and after sales service.
- d. Low cost, speed to market, and reach.
- e. Gap in portfolio for our product / price segment. Willingness to work together. Financial security - company can pay the bills.
- f. Sales performance and history, additional product lines they represent, Geographic & Industry reach.
- g. Passion for the brand/product, size of catalogue, years of experience.

Q5: In general, how effective are indirect distribution channels at conveying a high value product's value?

A5:

0-20% (Terrible): 0 20-40%(Poor): 1 40-60%(Acceptable): 2 50-60%(Good): 1
 60-70%(Very Good): 3 70-80%(Great): 0 80-100%(Perfect): 0

Distribution Strategies

Q6: For your product, what distribution strategy is being implemented and why?

A6:

- a. 2 ways: via distributors and/or turnkey service providers.
- b. Single level distribution to marketplace, to maintain relationship between manufacturer and end user.
- c. Our product is technology based and high value so we use a Dealer network instead of straight Distribution. Our sales activity is consultative as most customers don't even know what our product is and can see the benefits of it but require demonstration on their sites to help them make the decision to purchase. In this case we work closely with our appointed dealers to train, educate and support them in their sales activities through the establishment phase.
- d. Direct to retailer model.
- e. Multiple. Direct to Consumer is a focus but difficult to do offshore from NZ because of freight costs. Otherwise multi channel distributors.

- f. Main channels into each continent are our own offices, and then sell B2B to more local distributors within each country/industry.
- g. (N/A)

Q7: For high value products, how do you find the balance between distribution channels that retain your product's perceived value vs distribution channels that can provide high volume sales?

A7:

- a. This cannot be considered in a binary way. It depends even from the market you are addressing via your distributor.
- b. In past experience high value products are not in the high-volume sales market.
- c. Probably not applicable to our products as they are not sold in high volume on entry to the market, this takes a few years to build a customer base and use this to generate sales.
- d. Cut out as many middlemen as possible.
- e. Higher value equals higher needs - Education, in market support etc. Higher volume tends to focus on price discount. Large retailers who control price and promotion. We produce products that can cater for both segments.
- f. Brand is the most important part to protect so need to partner with someone who understands this and helps to protect this. Given we operate in a more niche industry focus is more on value than volume but the answer always lies somewhere in the middle.
- g. Top-down strategy. Start expensive and exclusive - gradually increasing volumes, lowering prices until you find your product market-fit.

Solutions for Exporters

Q8: What are your top pieces of advice to companies looking to establish international distribution channels?

A8:

- a. Request for assistance from specialists, staff internally as monitoring international distribution networks implies specific skills, take time to set an appropriate strategy.
- b. Engage all available assistance from business, trade and government support services, do your due diligence on both market opportunity and distribution partners.
- c. Research and a list of companies and talk to their customers and make sure you visit with them to see if all is real as Websites don't always reflect a great business.
- d. Don't do it unless you have a lot of cash and are patient.
- e. Research. Markets are highly competitive and you want to find a distributor/ customer that will deliver to your needs and focus on your brand / product. Be consumer driven, not production driven. Bigger is not always better.
- f. Ensure performance management and restraint of trade clauses to stop them also representing competitor products and meeting targets. Pre-Covid regular visits were also an integral part of maintaining relationships.

- g. Seek advice from companies/experts who have done it before. The formula is not overly complicated, but one must do it properly to achieve his/her desired results. Test markets prior to hard launches and monitor your exposure to risk throughout the various stages of international development. You should have little to no risk in the beginning, gradually taking on more risk as your product establishes itself in new market.

Q9: To what extent of comprehension do you think companies understand their target market before they establish these distribution channels?

A9:

- | | |
|---------------------------------------------------------------------|-----|
| 1. (0-20%) – Have no or little understanding of the market. | = 0 |
| 2. (20-40%) – Have a limited understanding of the market. | = 3 |
| 3. (40-60%) – Have some understanding of the market. | = 2 |
| 4. (60-80%) – Have a good understanding of the market. | = 2 |
| 5. (80-100%) – Have a great or perfect understanding of the market. | = 0 |

Q10: What are the best ways that companies can educate themselves about their target markets before establishing these distribution channels?

A10:

- a. Request assistance from specialized parastatals, consultants, and build up business cases.
- b. Competitor review, trade show and government sponsored assistance packages (e.g. NZTE).
- c. Research in their target audience in the territory, learn to understanding the cultural differences compared to NZ (we are different here in NZ to all international countries we sell to) go and spend time in the market visiting potential customers and distributors to get a feel for the market.
- d. Work with NZTE and find NZ networks.
- e. Research markets, competitors, consumer behaviour. Use local resources like NZTE for example which is Government backed and has experienced people who can give good advice.
- f. Spend time in those markets, visit tradeshows, understand how business is done in those countries. Many countries still operate sales from catalogues and brochures rather than web or digital.
- g. Research. Hiring research consultants. Qualitative interviews.